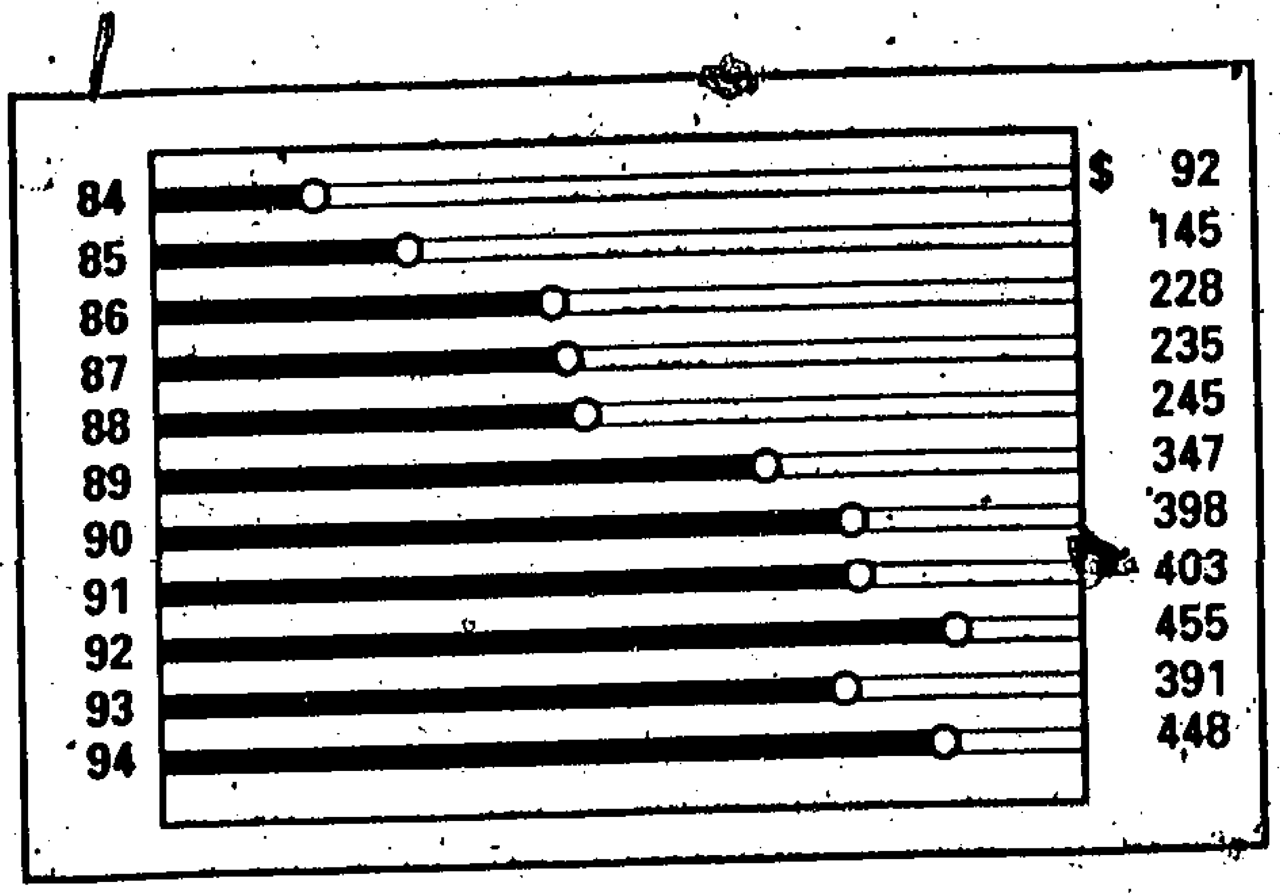
Consolidated Statements of Income

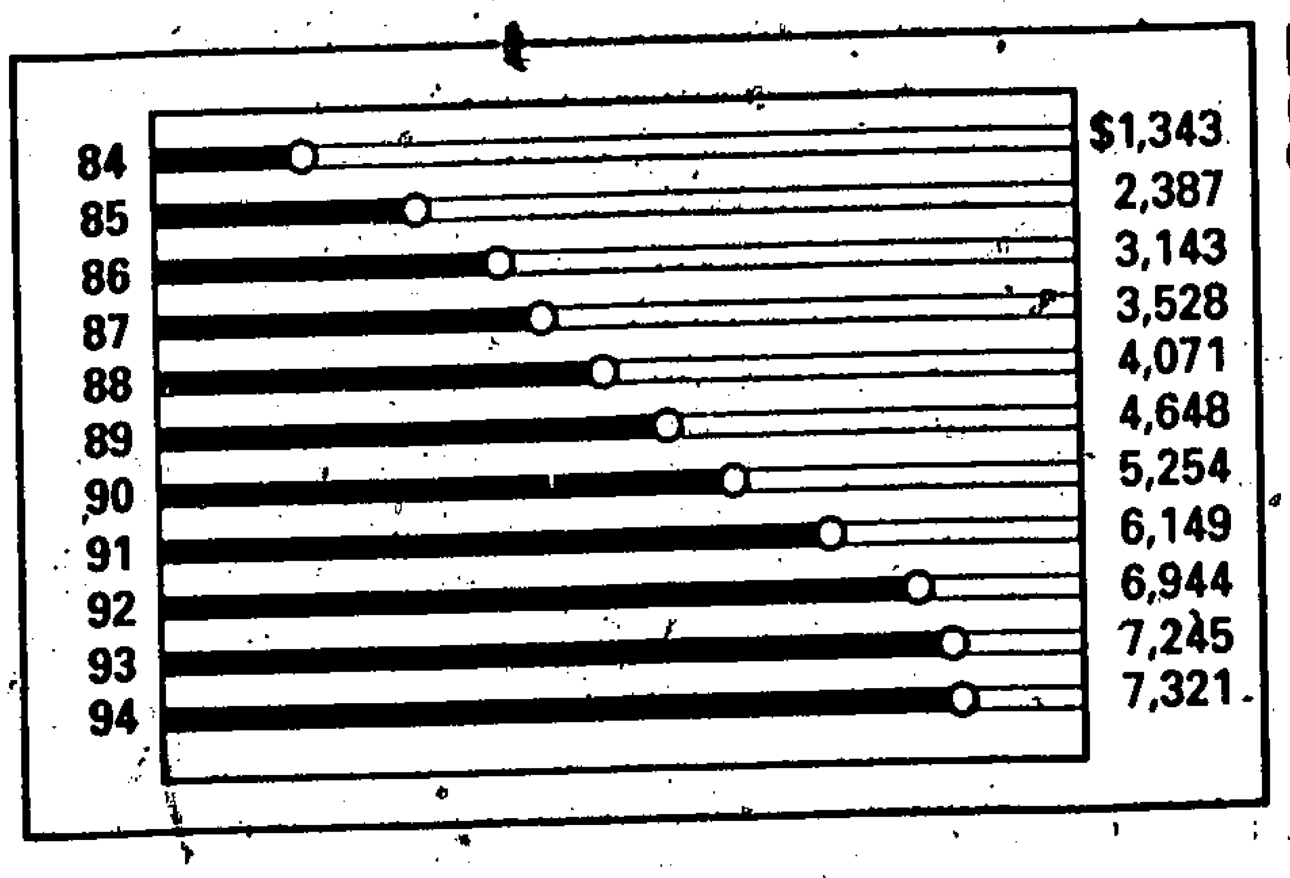
(Thousands except per share amounts)

	1994	1993	1992
Net Sales	$ 7,320,792	$ 7,245,088	$ 6,944,296
Costs of Goods Sold, Occupancy and Buying Costs	(5,206,429)	(5,286,253)	(4,953,556)
Gross Income	2,114,363	1,958,835	1,990,740
General, Administrative and Store Operating Expenses	(1,315,374)	(1,259,896)	(1,202,042)
Special and Nonrecurring Items, Net	–	2,617	–
Operating Income	798,989	701,556	788,698
Interest Expense	(65,381)	(63,865)	(62,398)
Other Income, Net	10,735	7,308	10,080
Gain on Issuance of United Retail Group Stock	–	–	9,117
Income Before Income Taxes	744,343	644,999	745,497
Provision for Income Taxes	296,000	254,000	290,000
Net Income	$ 448,343	$ 390,999	$ 455,497
Net Income Per Share	$ 1.25	$ 1.08	$ 1.25

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Net Income
(Millions)
CAGR 17%
(Compound Annual Growth Rate, last ten years)



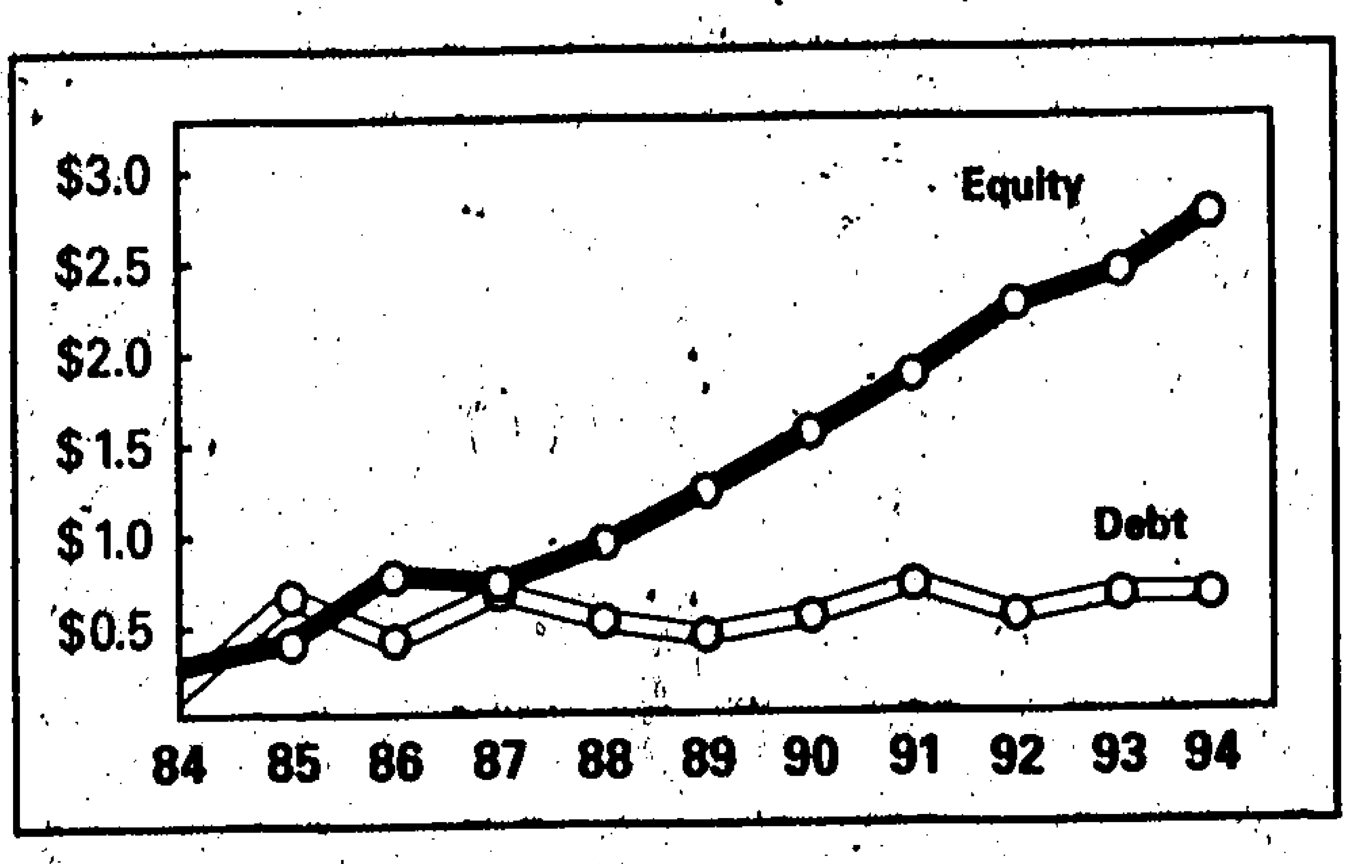
Net Sales
(Millions)
CAGR 18%

Consolidated Balance Sheets

(Thousands)

Assets	Jan. 28, 1995	Jan. 29, 1994
Current Assets		
Cash and Equivalents	$ 242,780	$ 320,558
Accounts Receivable	1,292,399	1,056,911
Inventories	870,440	733,700
Other	142,047	109,456
Total Current Assets	2,547,666	2,220,625
Property and Equipment, Net	1,692,145	1,666,588
Other Assets	330,266	247,892
Total Assets	$4,570,077	$4,135,105
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	$ 275,303	$ 250,363
Accrued Expenses	372,676	347,892
Certificates of Deposit	25,200	15,700
Income Taxes	124,376	93,489
Total Current Liabilities	797,555	707,444
Long-Term Debt	650,000	650,000
Deferred Income Taxes	306,139	275,101
Other Long-Term Liabilities	55,427	61,267
Shareholders' Equity		
Common Stock	189,727	189,727
Paid-In Capital	132,938	128,906
Retained Earnings	2,716,516	2,397,112
	3,039,181	2,715,745
Less: Treasury Stock, at Cost	(278,225)	(274,452)
Total Shareholders' Equity	2,760,956	2,441,293
Total Liabilities and Shareholders' Equity	$4,570,077	$4,135,105

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Equity and Debt
(Billions)

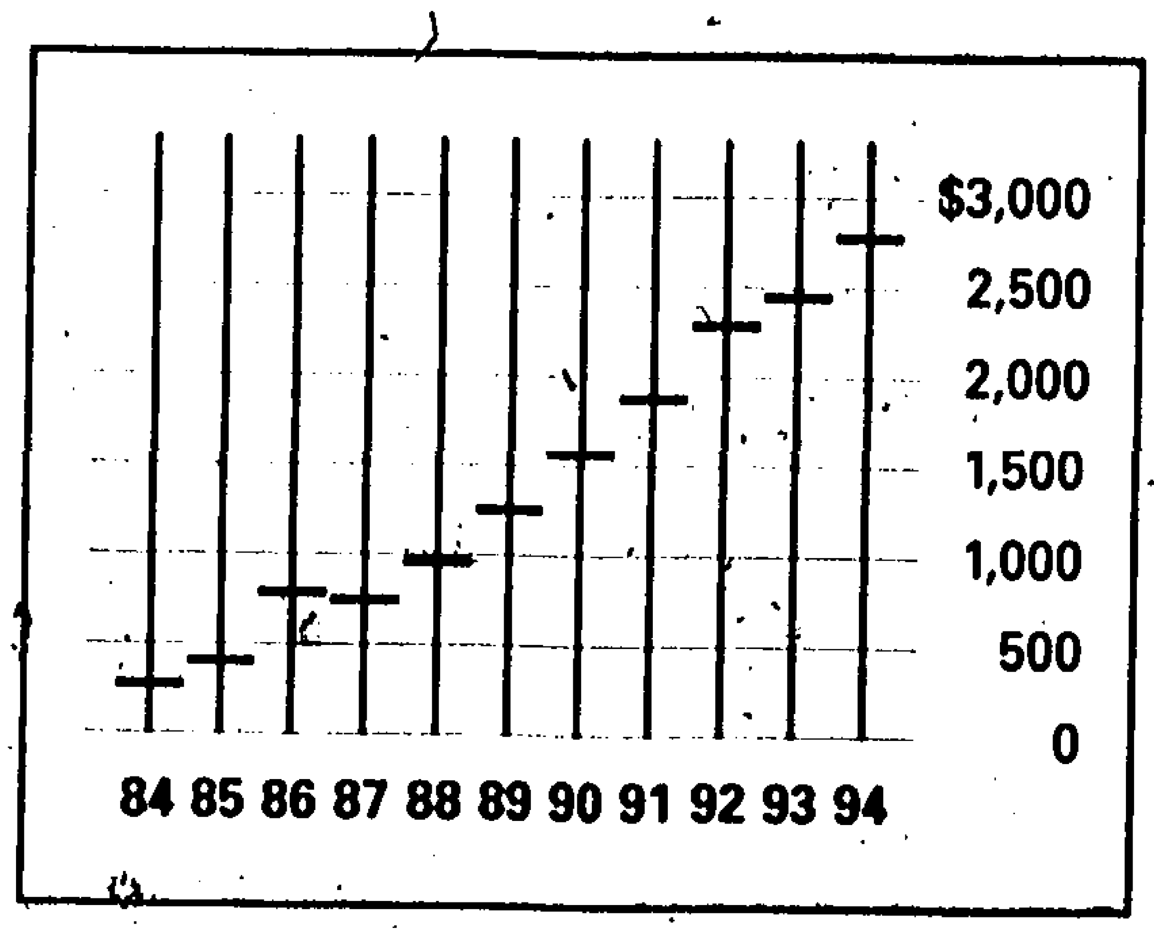
00 06 00 67

Consolidated Statements of Shareholders'

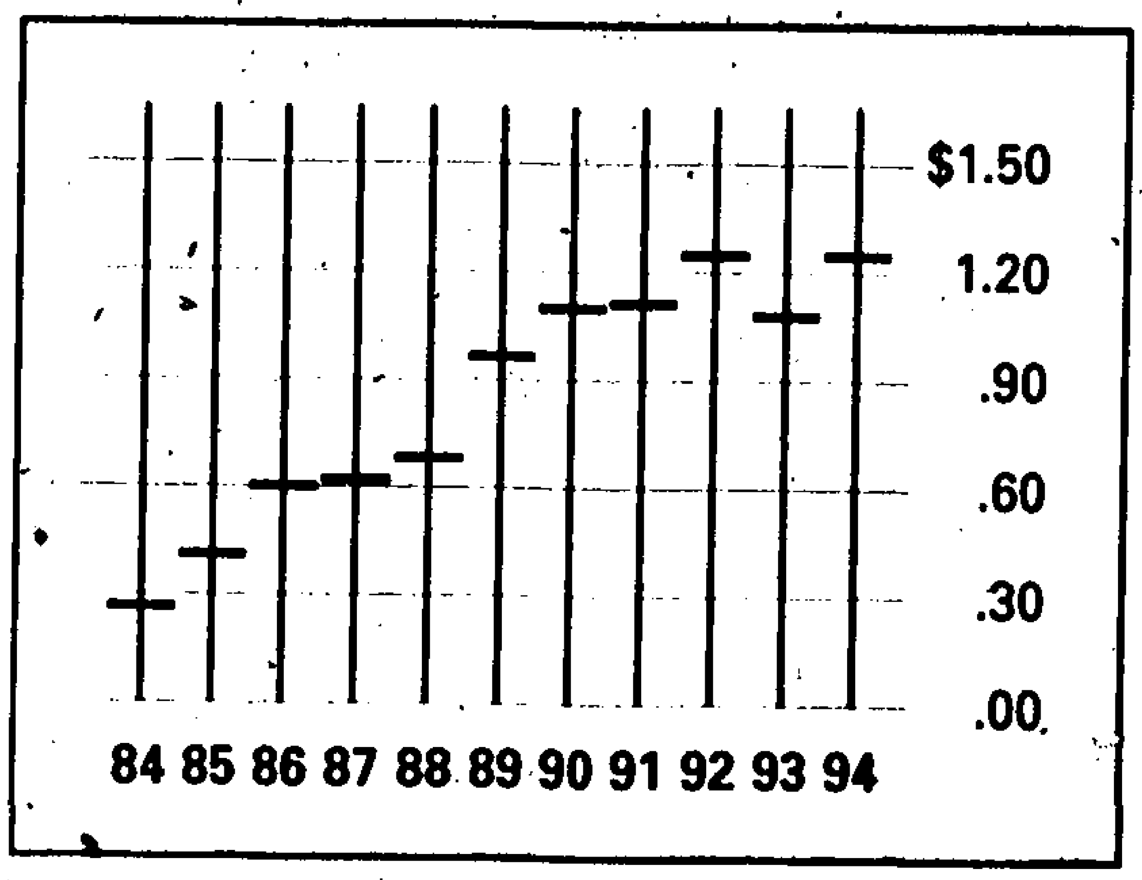
(Thousands)

	Common Stock	
	Shares Outstanding	Par Value
Balance, February 1, 1992	361,786	$189,727
Net Income	–	–
Cash Dividends	–	–
Exercise of Stock Options and Other	862	–
Warrants Issued for Acquisition	–	–
Balance, January 30, 1993	362,648	$189,727
Net Income	–	–
Cash Dividends	–	–
Purchase of Treasury Stock	(5,288)	–
Exercise of Stock Options and Other	441	–
Balance, January 29, 1994	357,801	$189,727
Net Income	–	–
Cash Dividends	–	–
Purchase of Treasury Stock	(629)	–
Exercise of Stock Options and Other	432	–
Balance, January 28, 1995	357,604	$189,727

The accompanying Notes are an integral part of these Consolidated Financial Statements.



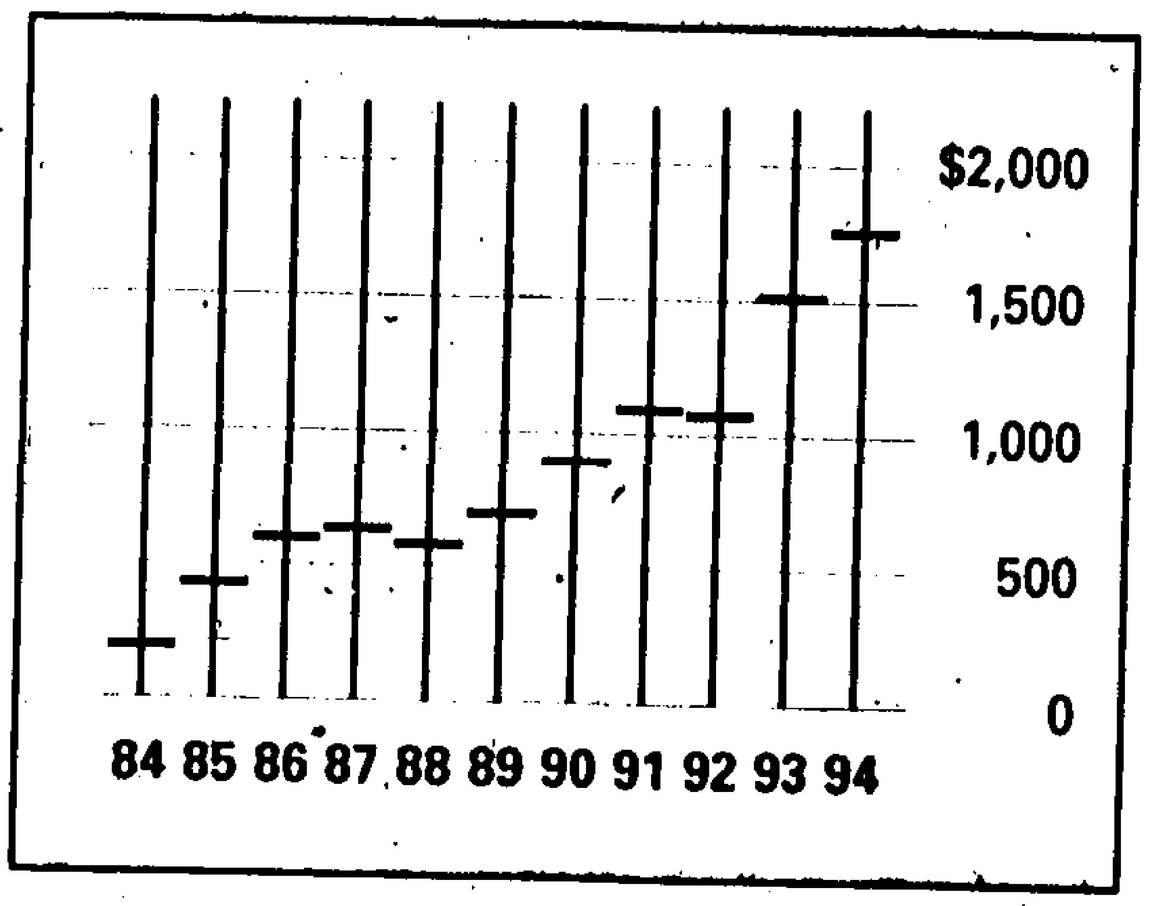
Shareholders' Equity
(Millions) CAGR 26%



Net Income per Share
CAGR 17%

Equity

Paid-In Capital	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
$100,929	$1,783,027	$(196,891)	$1,876,792
–	455,497	–	455,497
–	(101,730)	–	(101,730)
6,598	–	10,211	16,809
20,249	–	–	20,249
$127,776	$2,136,794	$(186,680)	$2,267,617
–	390,999	–	390,999
–	(130,681)	–	(130,681)
–	–	(93,328)	(93,328)
1,130	–	5,556	6,686
$128,906	$2,397,112	$(274,452)	$2,441,293
–	448,343	–	448,343
–	(128,939)	–	(128,939)
–	–	(11,382)	(11,382)
4,032	–	7,609	11,641
$132,938	$2,716,516	$(278,225)	$2,760,956



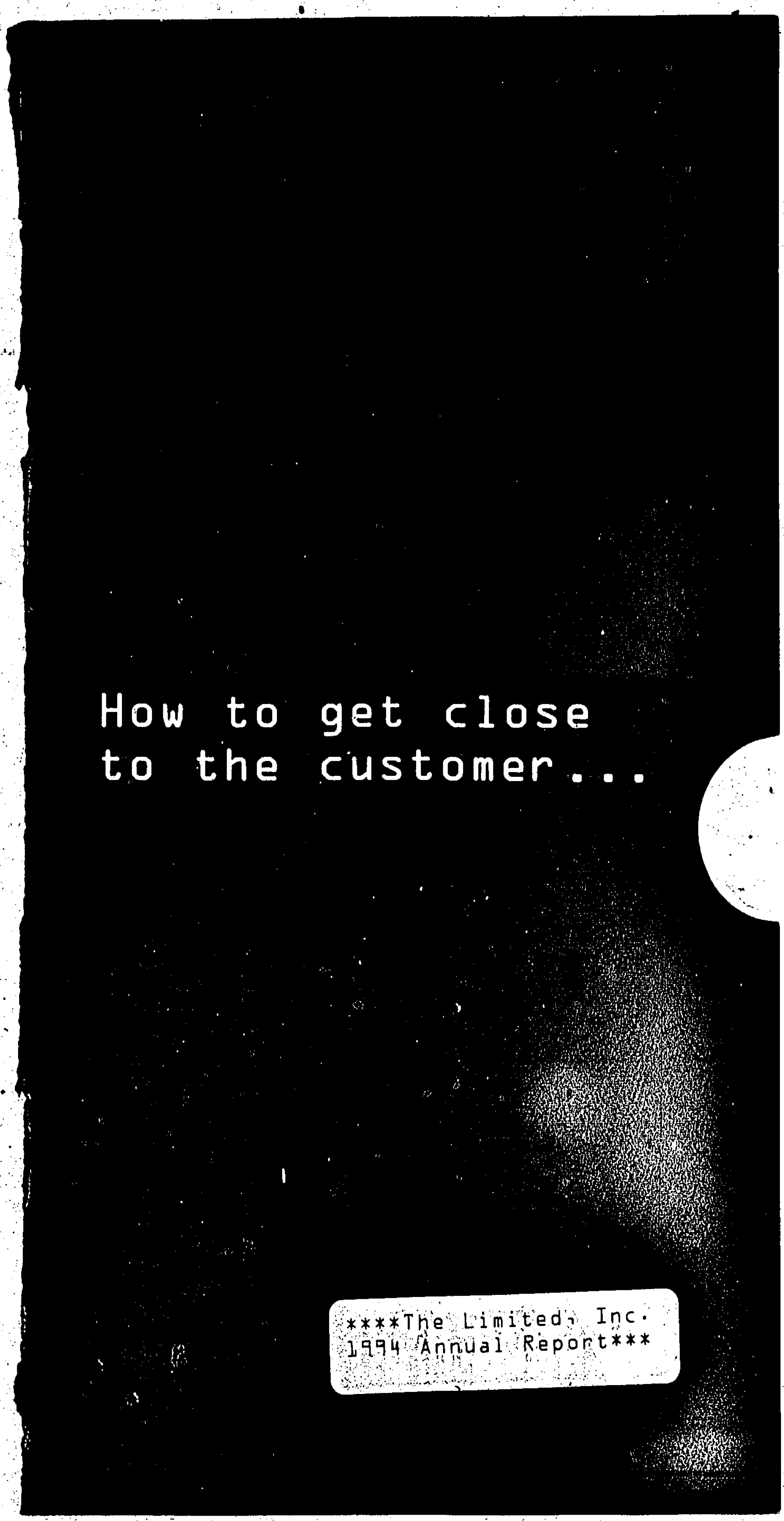
Working Capital
(Millions)

Consolidated Statements of Cash Flows

(Thousands)

	1994	1993	1992
Cash Flows from Operating Activities			
Net Income	$ 448,343	$ 390,999	$ 455,497
Impact of Other Operating Activities on Cash Flows			
Depreciation and Amortization	267,888	271,353	246,977
Special and Nonrecurring Items	–	(2,617)	–
Change in Assets and Liabilities			
Accounts Receivable	(235,488)	(219,534)	(101,545)
Inventories	(136,740)	70,006	(73,657)
Accounts Payable and Accrued Expenses	49,724	14,943	118,289
Income Taxes	30,887	20,773	82,369
Other Assets and Liabilities	(63,536)	(97,784)	26,198
Net Cash Provided by Operating Activities	361,078	448,139	754,128
Investing Activities			
Capital Expenditures	(319,676)	(295,804)	(429,545)
Businesses Acquired	–		(60,043)
Proceeds from Sale of Business	–	285,000	–
Tax Effect of Gain on Sale of Business	–	(64,750)	–
Cash Used for Investing Activities	(319,676)	(75,554)	(489,588)
Financing Activities			
Net Proceeds (Repayments) of Commercial Paper Borrowings and Certificates of Deposit	9,500	(25,939)	(322,119)
Repayments of Long-Term Debt	–	(100,000)	–
Proceeds from Issuance of Unsecured Notes	–	250,000	150,000
Dividends Paid	(128,939)	(130,681)	(101,730)
Purchase of Treasury Stock	(11,382)	(93,328)	–
Stock Options and Other	11,641	6,686	16,809
Net Cash Used for Financing Activities	(119,180)	(93,262)	(257,040)
Net Increase (Decrease) in Cash and Equivalents	(77,778)	279,323	7,500
Cash and Equivalents, Beginning of Year	320,558	41,235	33,735
Cash and Equivalents, End of Year	$ 242,780	$ 320,558	$ 41,235

The accompanying Notes are an integral part of these Consolidated Financial Statements.


How to get close
to the customer...
****The Limited, Inc.
1994 Annual Report***


Customer Intimacy Tape 1
1994
play

in•ti•ma•cy: \inte-me-sē\ *n.*

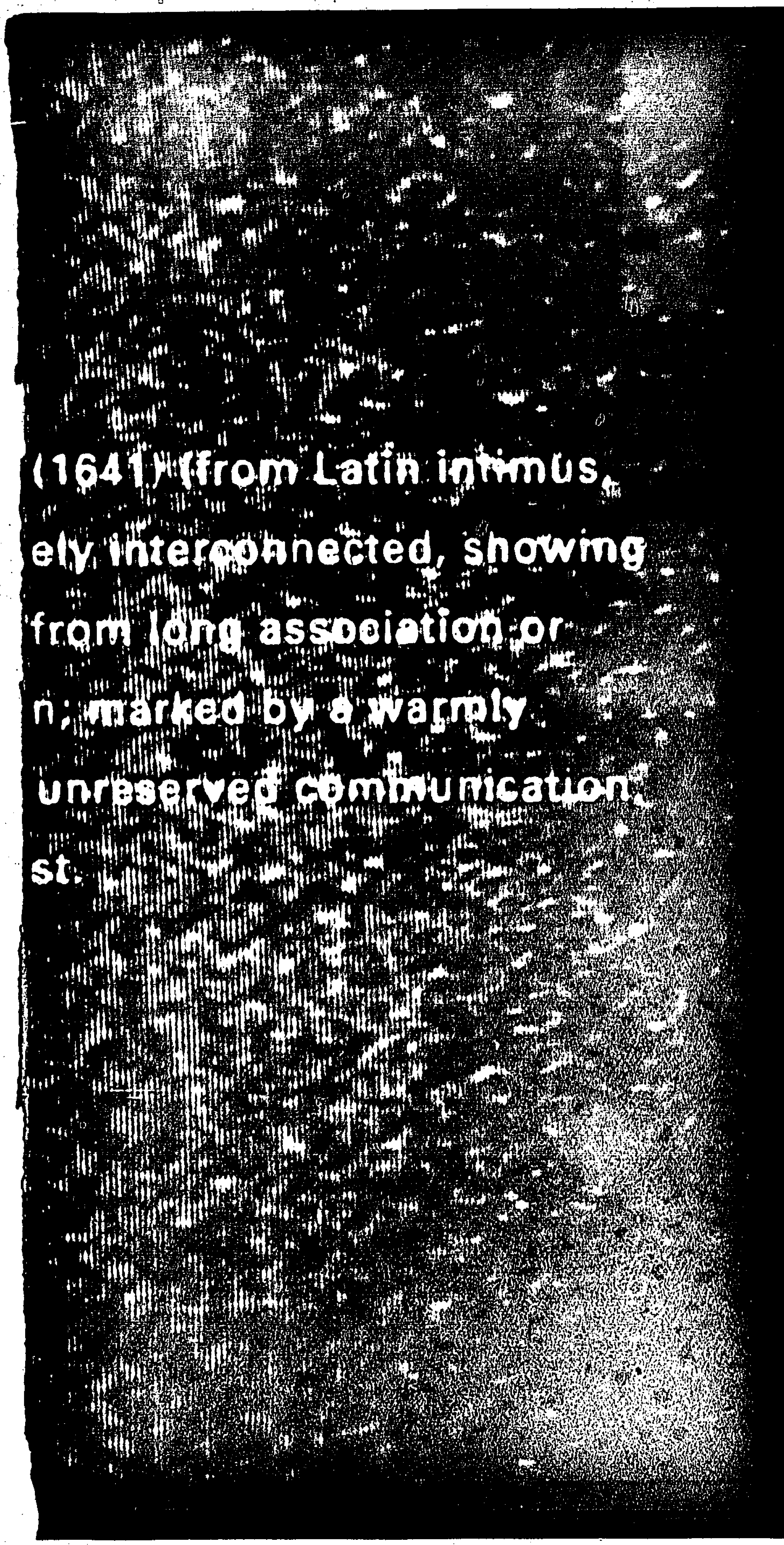
innermost): thoroughly or clos

knowledge and understanding

thorough study and observatio

personal attitude, friendliness,

mutual appreciation and intere


(1641) (from Latin intimus,
ely interconnected, showing
from long association or
n; marked by a warmly
unreserved communication,
st.

"In this age of technology, database marketing and instant communications, customer intimacy is more important than ever... It isn't theoretical. It's real, practical, and it's very personal."

Dear Partner>

When The Limited, Inc. became a public company in 1969, my objective was to enable our associates to become shareholders so that they and our other stockholders could share in the wealth we intended to create by growing the business. Since that time, we've achieved this objective by pursuing opportunities in our existing businesses and by creating and profitably growing new businesses.

I believe that our 1994 results represent a strong performance and a solid base from which we can create shareholder value.

Let me share some highlights with you:

- 5% increase in net sales, to $7.3 billion
- 15% increase in net income, to $448.3 million
- 16% increase in earnings per share, to $1.25
- 6.1% after-tax earnings, as a percentage of sales
- 358 new stores opened, ending the year with 4,867 stores for our 12 brands

Throughout this Annual Report, you'll find specific information on our historic performance by business, as well as our goals for increasing value in 1995. Given this level of information, and our tremendous financial strength, I think you will share my enthusiasm and confidence in our future.

I am particularly encouraged by two very important achievements in the past year. One, we restored our merchandise margins in our women's fashion apparel businesses, and increased their operating income as a percentage of sales. Merchandise margin — the difference between the prices at which we purchase our goods and sell them — is, I firmly believe, the leading indicator of our progress in returning these businesses to their historic levels of profitability.

Two, we continued the profitable growth of our lingerie, men's, personal care and children's businesses. These divisions increased their total sales by 28%, contributed 41% of the Company's total sales and 55% of all operating income. Clearly, they are our new engines for growth. In the past two years alone, they have grown at a remarkable pace, with profits compounding at an incredible 52%.

Victoria's Secret, Structure, Abercrombie & Fitch Co., Bath & Body Works and The Limited Too are some of the most valuable brands in the world. This is no accident. Their dramatic results, and our plans for their continued expansion, demonstrate our understanding of the role that these brands will play in our future.

"I am pleased that we've begun to get public recognition that The Limited, Inc. has grown into much more than a collection of the best women's fashion apparel businesses."

women's

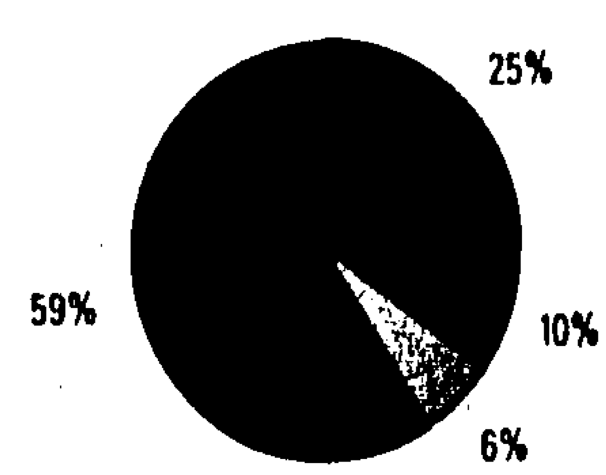
lingerie

men's

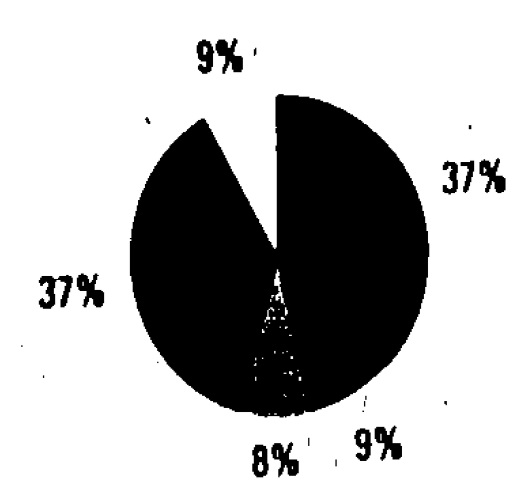
personal care & children

other

94

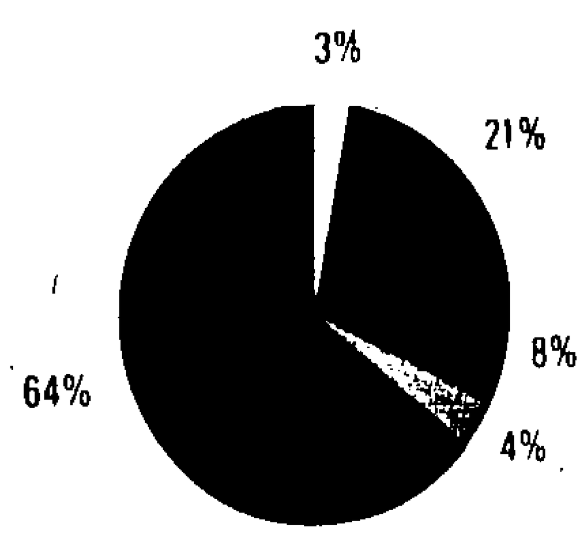


SALES (Millions) $7,321

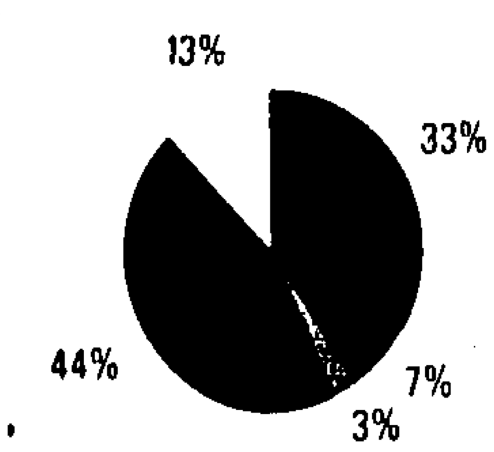


OPERATING INCOME (Millions) $799

93

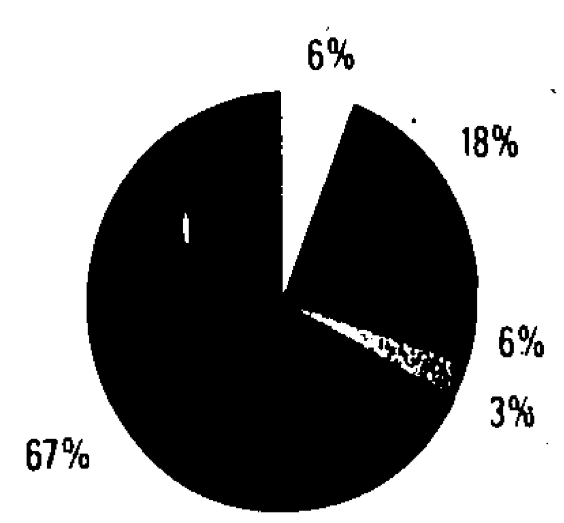


SALES (Millions) $7,245

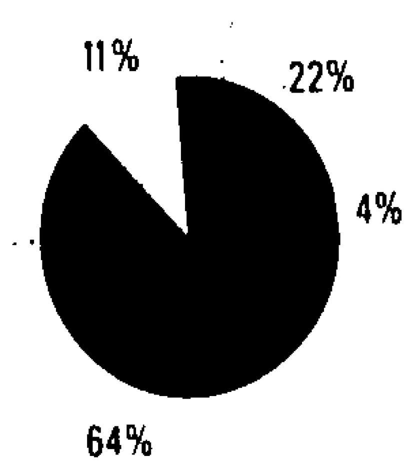


OPERATING INCOME [illegible] $702

92



SALES (Millions) $6,944



OPERATING INCOME (Millions) $789

I am pleased that we've begun to get public recognition that The Limited, Inc. has grown into much more than a collection of the best women's fashion apparel businesses. Although our women's businesses offer some of our most significant opportunities to make money, they still accounted for less than half of our 1994 profits and constitute only a part of our story.

Nevertheless, when I look at the women's apparel businesses... the strength of the brands, the quality of our associate teams, the real estate and manufacturing base... I'm confident and immensely optimistic. For the first time in recent memory, we have what I believe to be some of the best leaders in the industry in place at our women's businesses.

They have already produced significant results. Express delivered a Fall season that was a near-record, proving its authority as a dominant women's brand, while Lane Bryant's performance was strong and steady throughout the year. Limited Stores and Lerner New York did not perform well, but I am positive that their new leaders have already made significant progress, as have all of the businesses, instituting the processes and disciplines necessary for sales and profit growth.

As significant as last year's performance is our ongoing rededication to our most basic maxim: stay close to the customer. In this age of technology, database marketing and instant communications, customer intimacy is more important than ever. Technology is only a tool. We still need to be on a first-name basis with each customer, 'one-on-one,' if you will.

Intimacy means always having merchandise in stores that we wear and use ourselves. It means merchants on the selling floor. It means 200 young girls trying on The Limited Too jeans so that we're absolutely sure they fit. It isn't just names in a database. It isn't theoretical. It's real, practical, and it's very personal.

Customer intimacy isn't a new idea.

When I opened my first store, I was so close to each customer. each associate, and each vendor that I couldn't help but call the relationships 'intimate.' I knew what styles, colors and sizes my customers wanted. We were generally on a first-name basis.

Everything we accomplish begins with knowing what the customer wants. It is why we've been so successful at inventing and growing businesses, and why customer intimacy remains my focus as we enter the second half of the 1990s. It is the key to the success of all our businesses, and I am recognizing and rewarding associates who listen, learn and take action on what they've learned directly from customers.

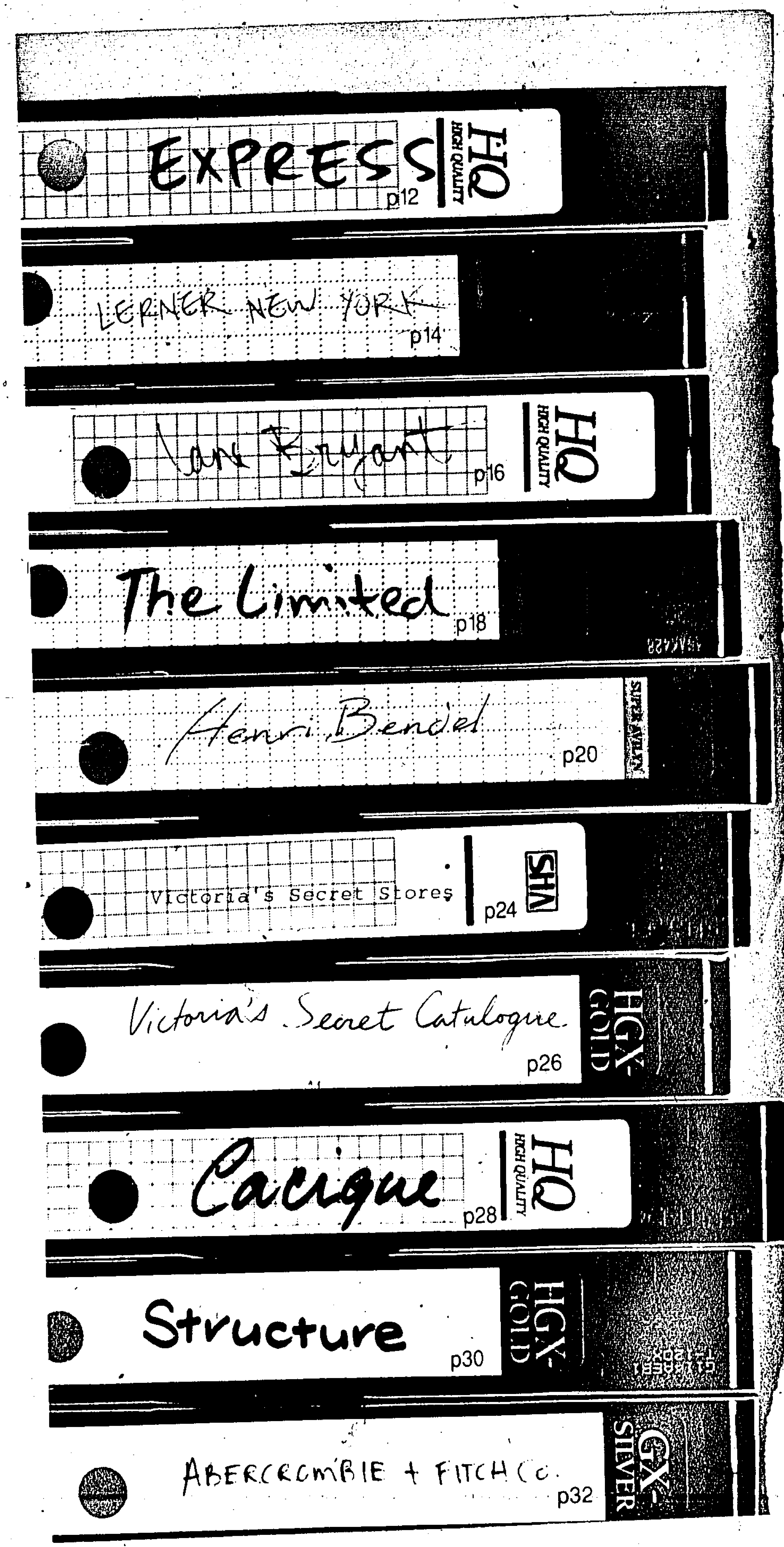
This Annual Report recognizes the accomplishments of just a few of those associates. I believe that there are thousands of other stories waiting to be written by the associates at every one of our businesses, both here in the United States and with our new international partners and customers. Our success depends on them.

Take Nancy Gonzalez's story, which appears on page 16. She values each customer, one at a time, calling them about new merchandise or tracking down special items. She makes a friend of every customer, and she practices the values that are the heart and soul of our business. She maintains close, intimate relationships by listening and learning, and it translates into success.

I still talk to many of the customers who built our business with their patronage in the 1960s. Those early friends helped shape the business we have today. I am confident that similarly close relationships with today's customers will be the foundation for our future.

As always, I'd like to thank our associate partners, shareholders, vendors and suppliers for being a part of that future. I look forward to talking, listening, working with and, most important, growing the business with all of you in 1995 and the years ahead.

Leslie H. Wexner
Chairman


EXPRESS p12
HQ HIGH QUALITY
LERNER NEW YORK p14
Lane Bryant p16
HQ HIGH QUALITY
The Limited p18
Henri Bendel p20
SUPER AVILYN
Victoria's Secret Stores p24
VHS
Victoria's Secret Catalogue p26
HGX-GOLD
Cacique p28
HQ HIGH QUALITY
Structure p30
HGX-GOLD
ABERCROMBIE + FITCH Co. p32
GX-SILVER


Bath & Body Works p36
Penhaligon's p38
the limited too p40
Mast Industries p44
Limited Credit Services p46
Limited Distribution Services p48
REAL ESTATE p50
STORE PLANNING p52
Gryphon p54

Karen can tell you that size

Express> We were getting requests for petite sizes all the time, from customers and store managers. I heard it in the stores myself: customers were saying to me, "Why don't you have petites?" I felt like kicking myself, because I realized how much stronger our business would be if we could reach this segment of the population.

We approached it in stages, gradually adding a top or pant for the petite customer. Not only did she buy it, but she wanted more and more. That overwhelming response was great, because it meant that the petite customer wanted to think of Express for everything.

This year, we finally took the leap. We're gearing up to offer an entire size range within petite, so we can reach a whole host of different customers.

Karen Krueger, EVP, General Merchandise Manager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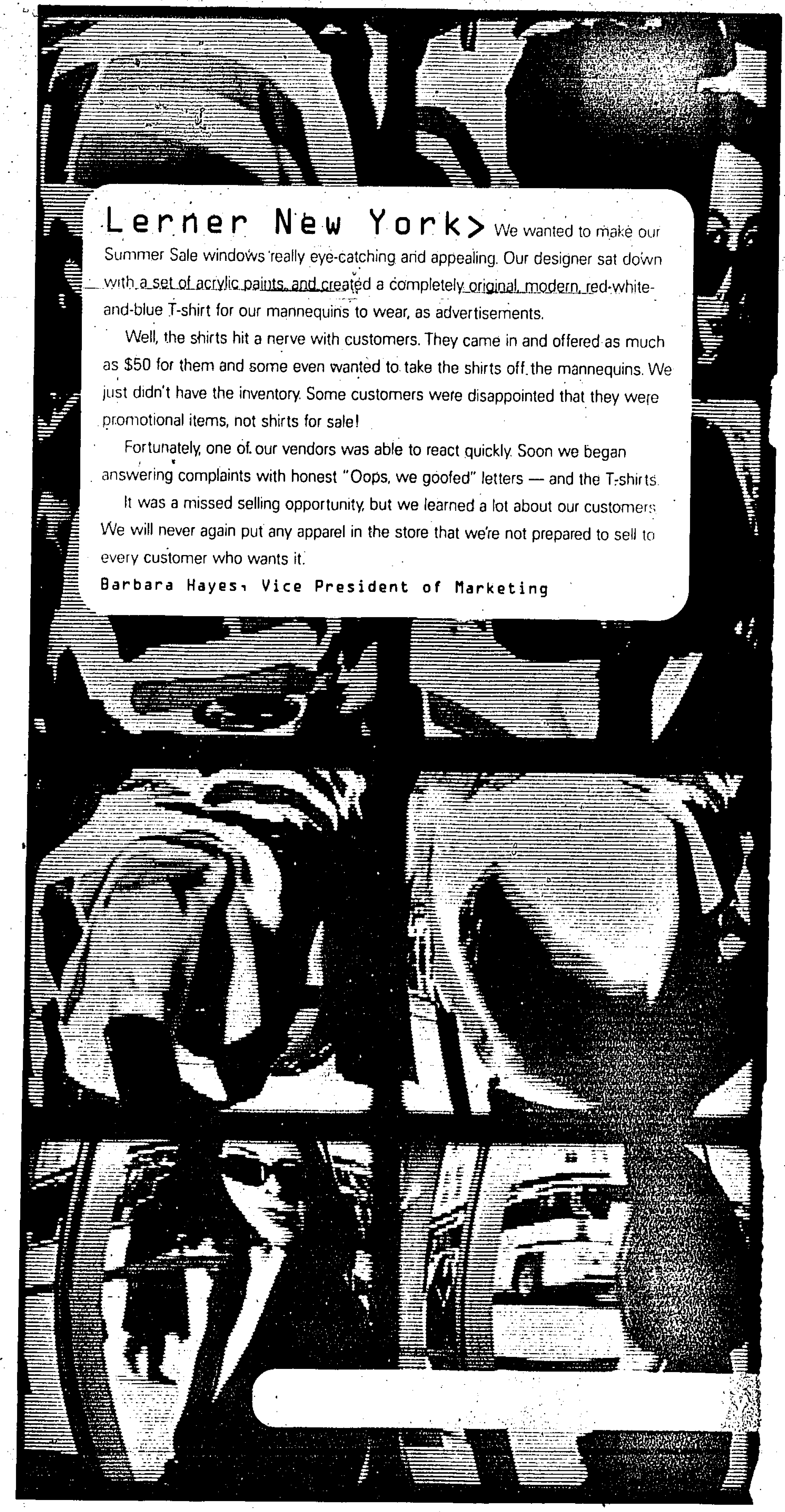
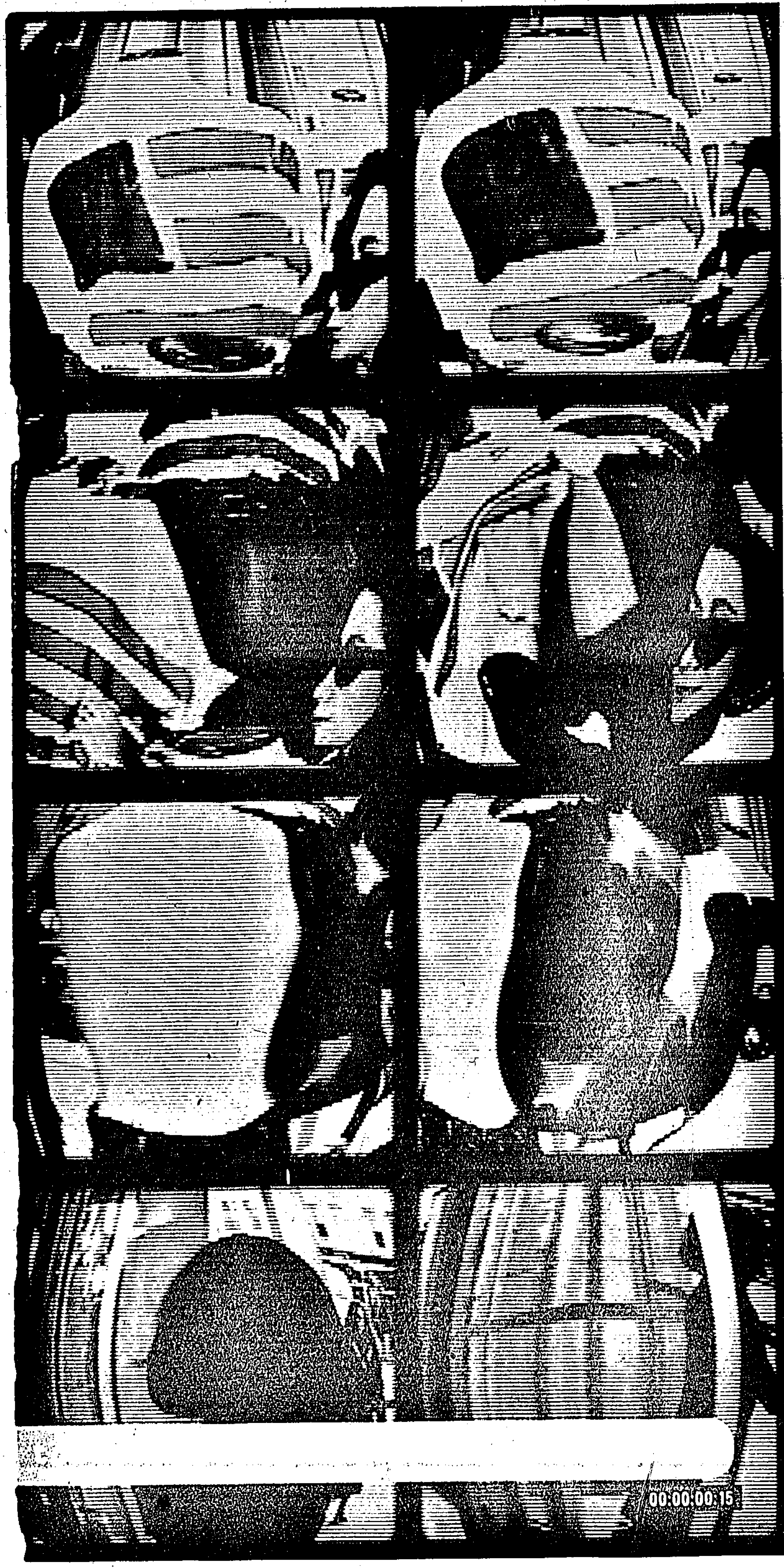

Lerner New York> We wanted to make our Summer Sale windows really eye-catching and appealing. Our designer sat down with a set of acrylic paints and created a completely original, modern, red-white-and-blue T-shirt for our mannequins to wear, as advertisements.
Well, the shirts hit a nerve with customers. They came in and offered as much as $50 for them and some even wanted to take the shirts off the mannequins. We just didn't have the inventory. Some customers were disappointed that they were promotional items, not shirts for sale!
Fortunately, one of our vendors was able to react quickly. Soon we began answering complaints with honest "Oops, we goofed" letters — and the T-shirts.
It was a missed selling opportunity, but we learned a lot about our customers. We will never again put any apparel in the store that we're not prepared to sell to every customer who wants it.
Barbara Hayes, Vice President of Marketing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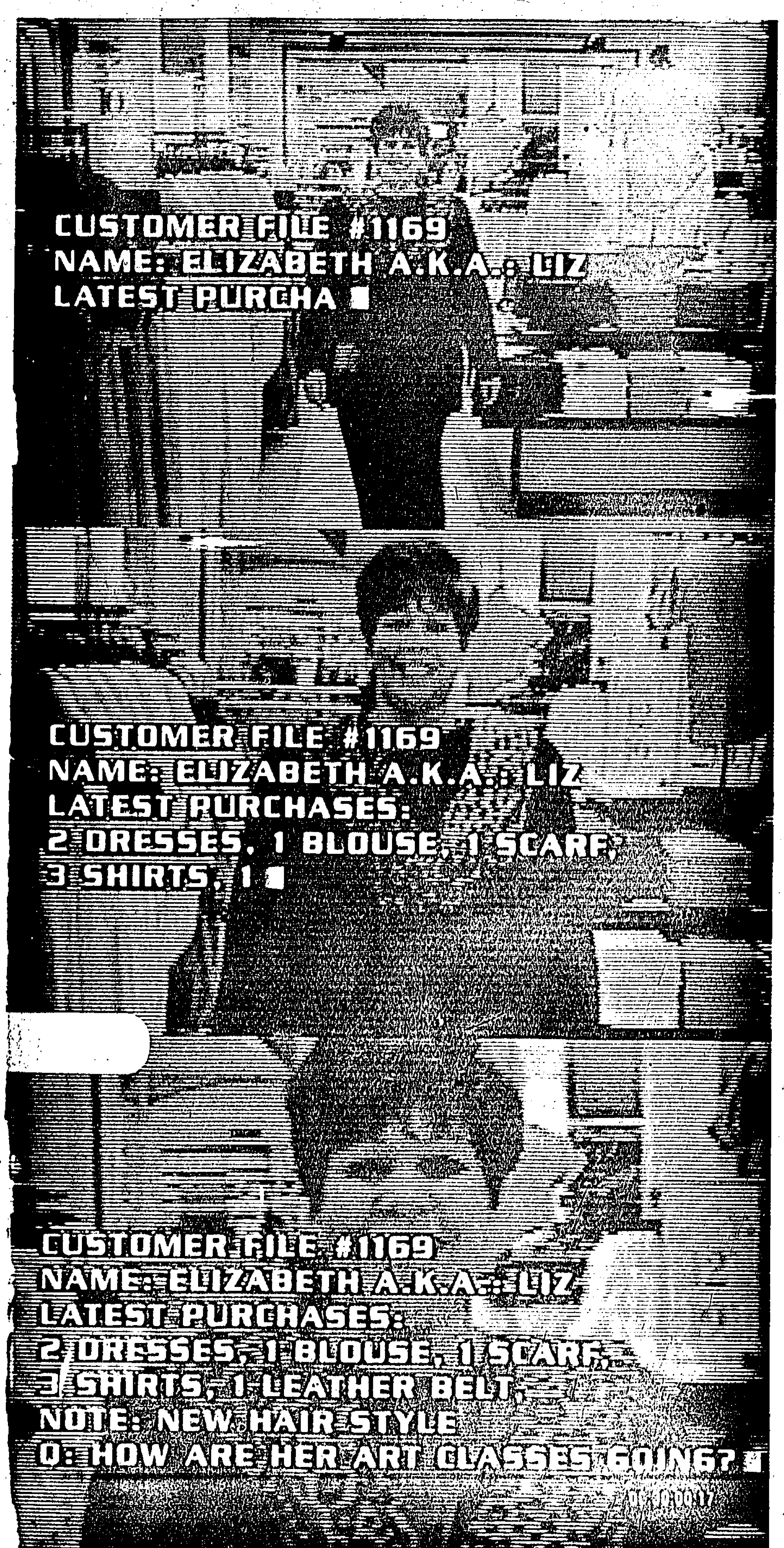
Lane Bryant> [illegible]
there are others who would rather be on their own. So I treat every customer differently, depending on what I sense from them. Some just want their space and others become like best friends.

A customer might pick up an item, and I'll say, "Oh, that blouse has a great skirt to go with it." Or if we don't have something in her size, we'll try to get it, and call her when it comes in — or we'll call another store for her. We also call when we get new merchandise for the season. Customers love it, because it's special attention.

We want the store to be a second home to them. I like to be warm and friendly, and I try to remember everyone. I think the whole staff is like me in that way. And the good news is that a lot of customers are coming to my store in Queens from all over the metropolitan New York area, even if it's not convenient for them. That shows the value of making the customer feel special.

Nancy Gonzalez, Store Sales Manager


CUSTOMER FILE #1169
NAME: ELIZABETH A.K.A.: LIZ
LATEST PURCHA
CUSTOMER FILE #1169
NAME: ELIZABETH A.K.A.: LIZ
LATEST PURCHASES:
2 DRESSES, 1 BLOUSE, 1 SCARF,
3 SHIRTS, 1
CUSTOMER FILE #1169
NAME: ELIZABETH A.K.A.: LIZ
LATEST PURCHASES:
2 DRESSES, 1 BLOUSE, 1 SCARF,
3 SHIRTS, 1 LEATHER BELT,
NOTE: NEW HAIR STYLE
Q: HOW ARE HER ART CLASSES GOING?

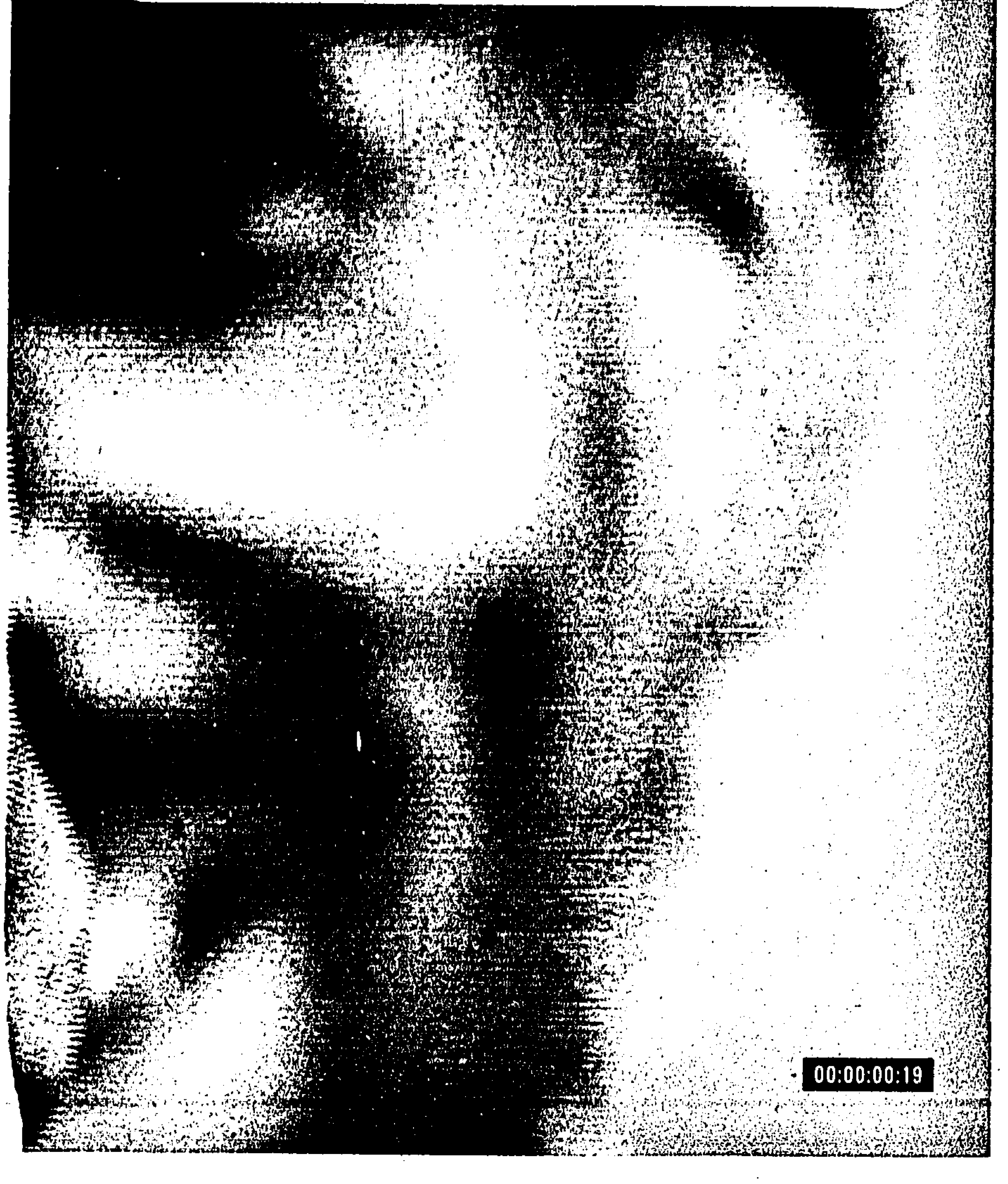
The Limited> I frequently pop in on associates in Customer Service so I can hear about all kinds of problems, and do something about them.

For instance, I learned that a customer needed a replacement button, but I couldn't tell which button it was, or which skirt it came from. So I called her, got a better description, sent her a number of button samples, and finally solved the problem.

Then there were the pins. We were using fashionable trim items that were a little difficult for the stores to maintain: a set of six large pins that helped fasten a skirt. As customers tried on the skirts, the pins were easily lost or misplaced. I called the manufacturer and got a bag of pins, so Customer Service would have replacements.

In the future, I'll ask for these kinds of trim items up front. All of us in Production have to take responsibility for our goods, all the way to the customer.

'Maurice King, Production Coordinator



Henri Bendel> As an assistant buyer, [illegible] the sales floor, working with customers at least twice a month — twice a week over the Holidays.

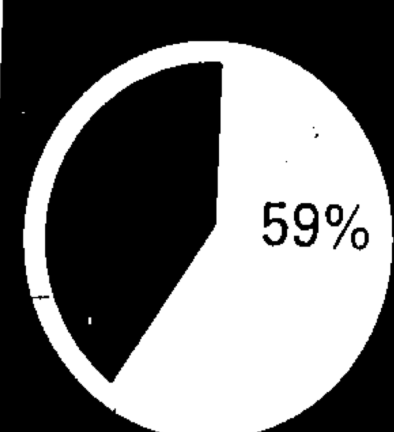
Last November, I was working with a woman and her daughter who were interested in some Polartec® skirts we were selling. The daughter had just put the skirt on, and I could see it clinging to her pantyhose.

Static electricity hadn't been a problem in our own fittings — and our standards were already very high — but it certainly was in the real world. The mother and daughter didn't say anything, but I made a quick decision and told them that we should line the skirts, and that I would call when we got them in. I knew our manufacturer could do it really fast, within two weeks.

We lined the skirts, tripled our order, and sold more than we had planned. Now we pay even closer attention to every little detail when we visit stores.

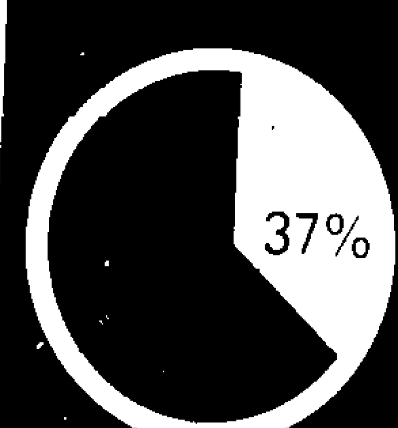
Beth Brooks, Assistant Buyer

pause



% OF TOTAL SALES
($ in Millions)

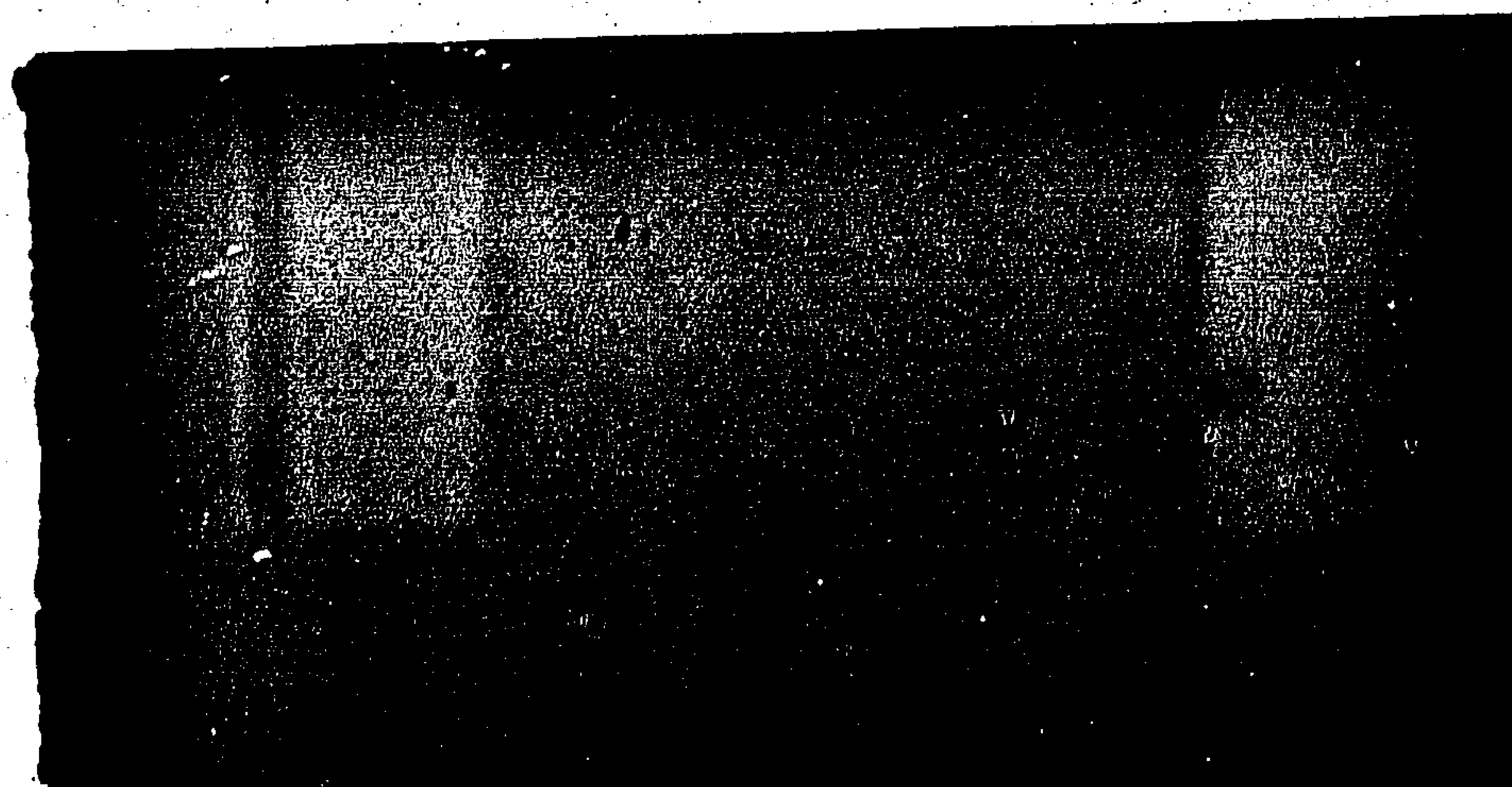
1994	$4,318	59%
1993	4,655	64%
1992	4,683	67%



% OF TOTAL OPERATING INCOME
($ in Millions)

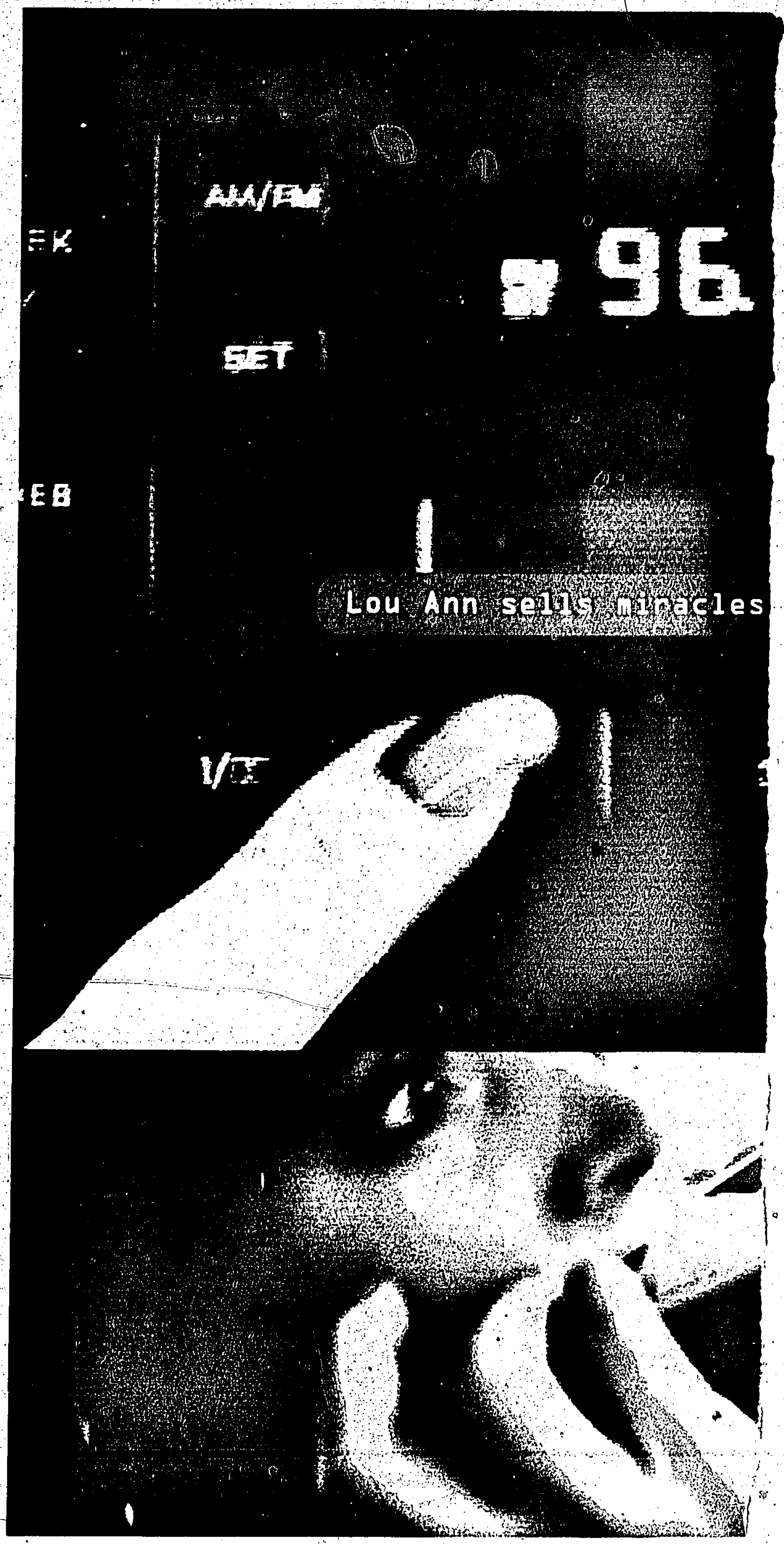
1994	$298	37%
1993	305	44%
1992	502	64%

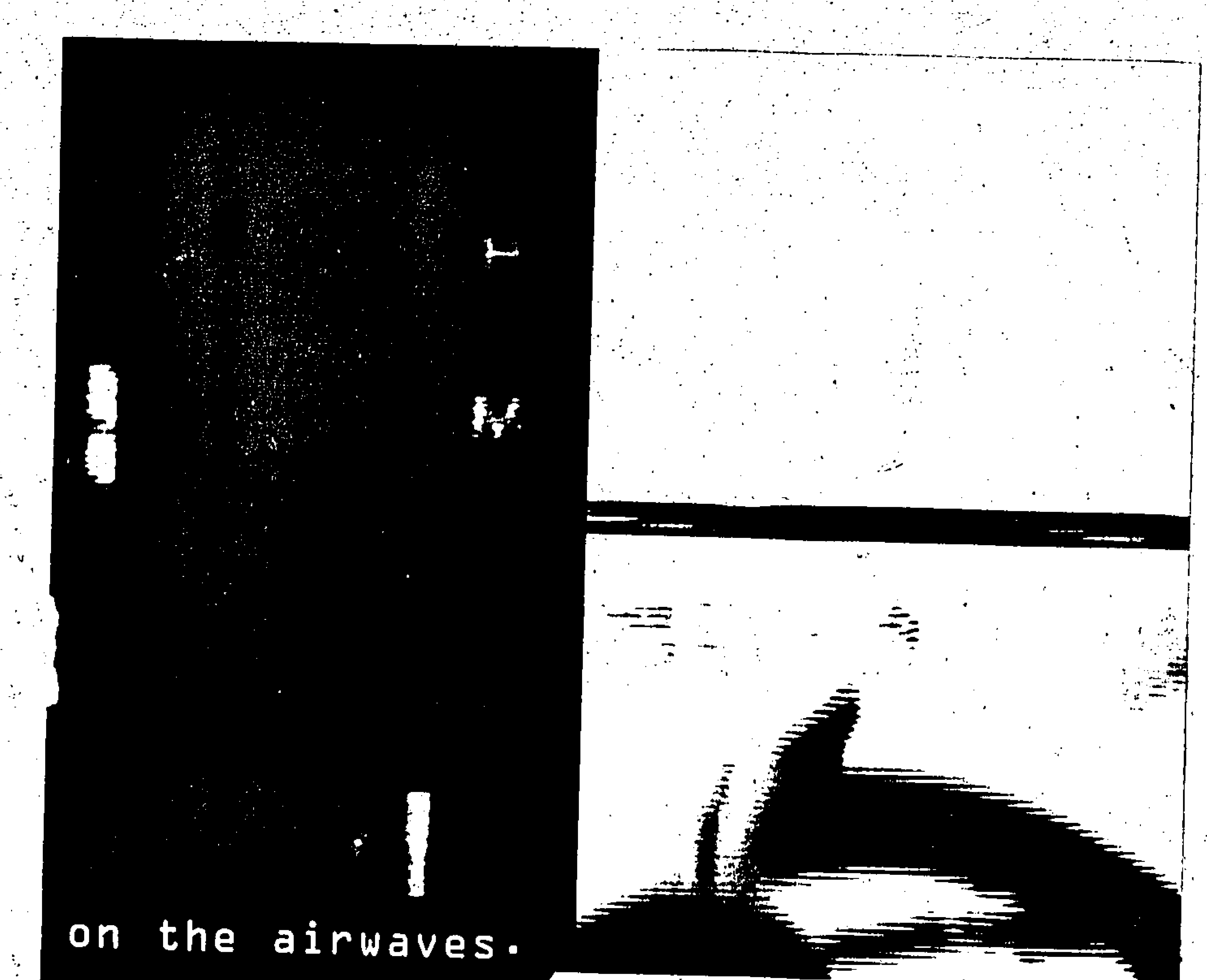
		SALES (Millions)	% TOTAL SALES
Express	1994	$1,387	19%
	1993	1,421	20%
	1992	1,312	19%
Lerner New York	1994	$1,019	14%
	1993	1,141	16%
	1992	1,175	17%
Lane Bryant	1994	$ 959	13%
	1993	928	13%
	1992	918	13%
The Limited	1994	$ 869	12%
	1993	1,084	15%
	1992	1,205	17%
Henri Bendel	1994	$ 84	1%
	1993	81	1%
	1992	73	1%



"Merchandise margins were improved in 1994 in our women's apparel businesses. I am extremely excited about the upside sales and earnings potential for 1995 and beyond."
-Michael A. Weiss, Vice Chairman

1994 RESULTS	1995 GOALS
•Restored margin and profitability in the Fall season •Continued to grow the casual dress business	•Dominate the jacket and outerwear business •Drive volume by being first to maximize major fashion trends •Add 30 stores
•Continued the communication and positioning of the brand •Further strengthened the sportswear business •Improved use of real estate	•Improve productivity by reestablishing dresses, outerwear and accessories •Grow volume against the existing strength of well-controlled expenses •Strengthen the merchant organization •Increase product consistency
•Completed transition in leadership •Maintained productivity and profits •Set new record days in volume	•Broaden merchandise classifications in dresses, outerwear and accessories •Improve productivity by continuing the aggressive expansion of the proprietary credit card base
•Completed transition in leadership •Continued to upgrade the quality of the merchandise	•Establish the brand •Increase productivity by improving casual wear, dresses and outerwear •Aggressively pursue sales volume
•Served as a "fashion incubator" for the other women's businesses •Strengthened several areas, including Henri Bendel label and cosmetics	•Develop credit card strategies that accelerate the number of active accounts and also increase customer use •Improve merchandise margin •Continue to strengthen the organization


AM/FM
SET
96
Lou Ann sells miracles



on the airwaves.

Victoria's Secret Stores>

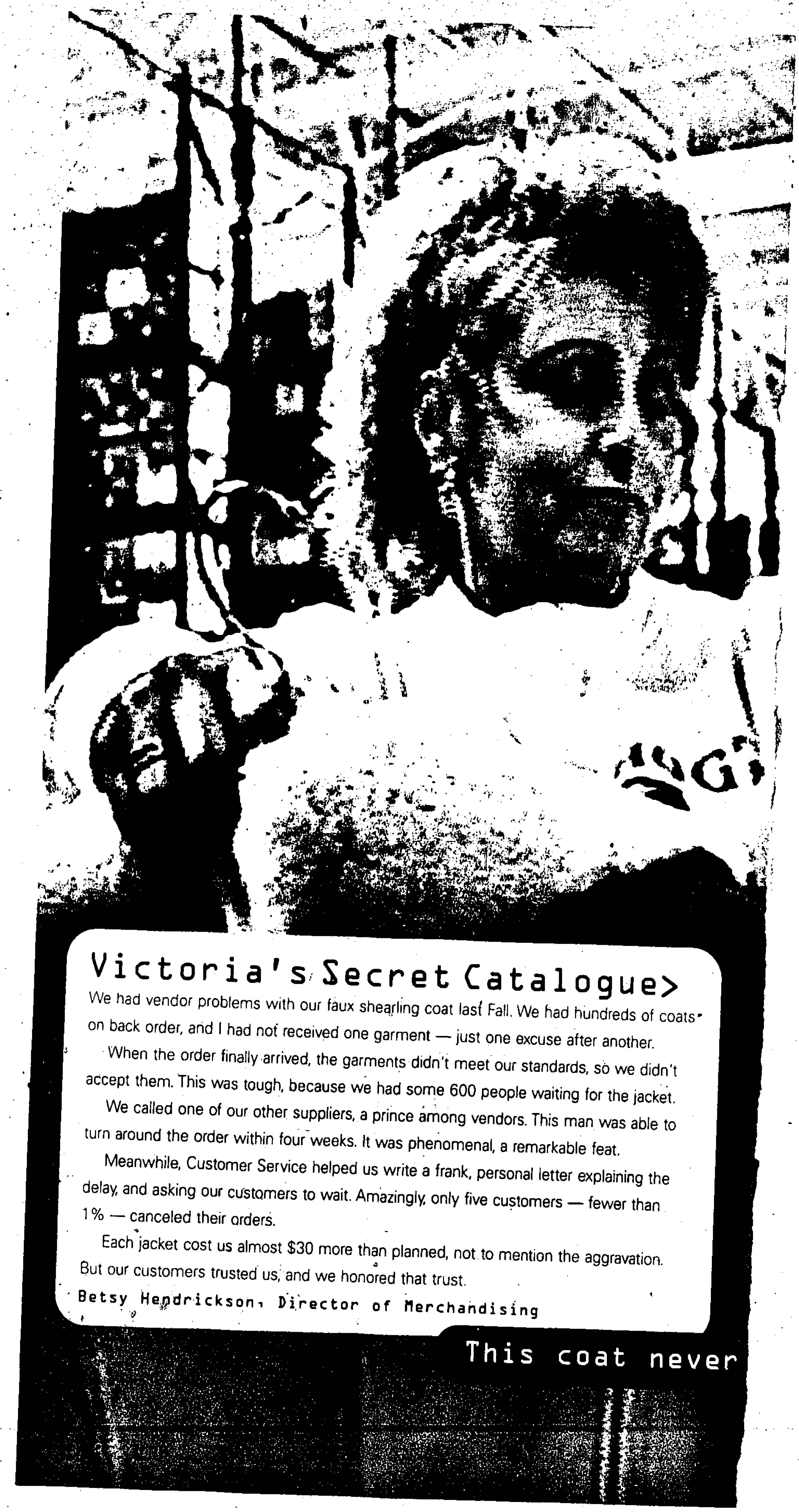
I was on my way to work, sitting on the parkway in major traffic, and this woman called in to the radio show I was listening to. She said she'd tried the *Miracle Bra* and other uplift bras on the market, and they were all just an advertising ploy.

I took this really personally, because the *Miracle Bra* works for most people if they're fitted correctly. I got on my cellular phone, dialed the radio show, and told them that the woman had the wrong size and that I could fit her. When they realized I was serious, they gave me her phone number.

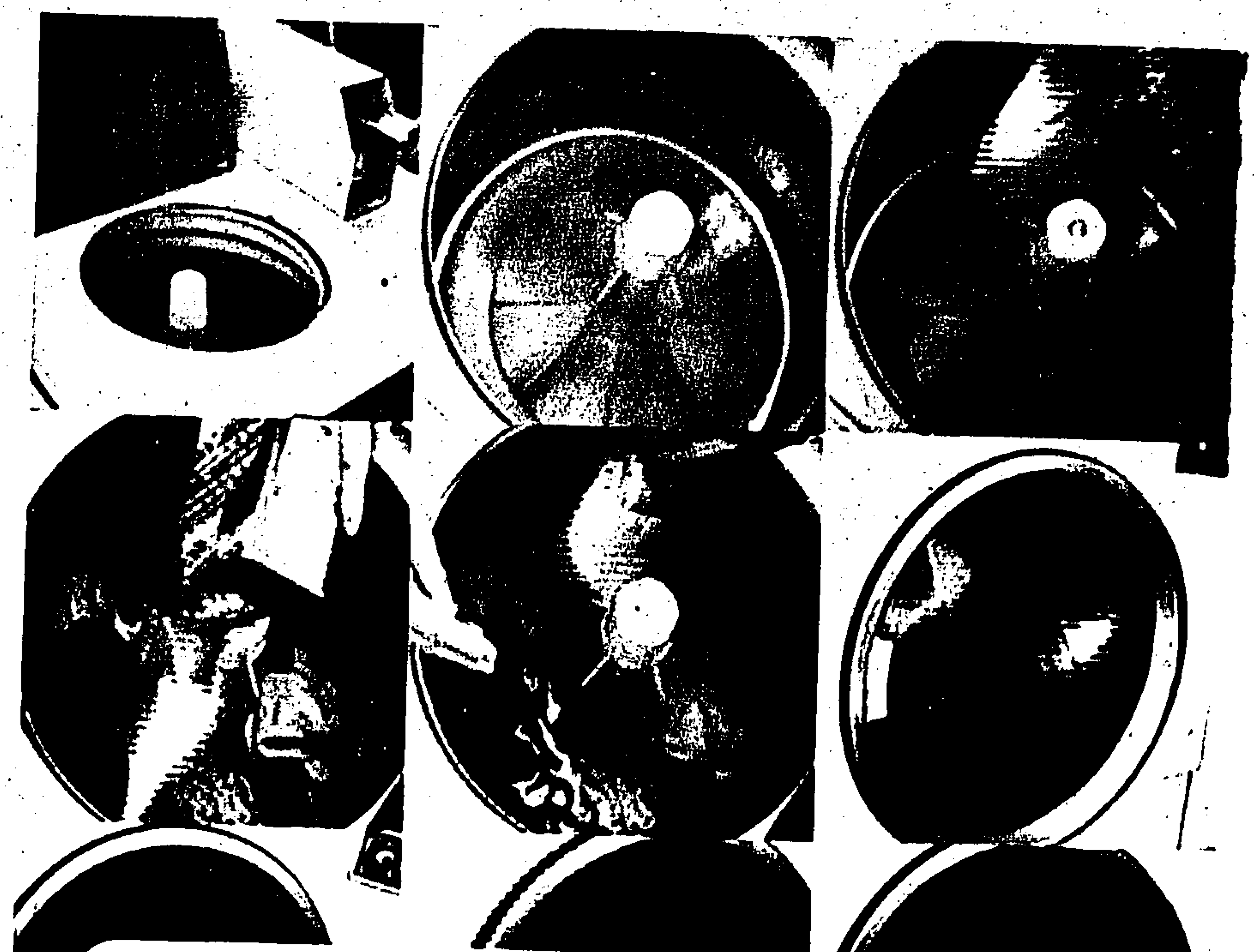
When she answered, I told her that I would personally make sure she got the right fit in a *Miracle Bra*, in whatever store was good for her. We met, and sure enough, we found the perfect fit.

I was going to give her the bra, but she bought it, and ended up with two bras and matching panties! Now, whenever she comes in, she's always sending her regards to me and my baby. It shows that the right fit means a happy customer.

Lou Ann Davanzo, District Sales Manager


Victoria's Secret Catalogue>
We had vendor problems with our faux shearling coat last Fall. We had hundreds of coats on back order, and I had not received one garment — just one excuse after another.
When the order finally arrived, the garments didn't meet our standards, so we didn't accept them. This was tough, because we had some 600 people waiting for the jacket.
We called one of our other suppliers, a prince among vendors. This man was able to turn around the order within four weeks. It was phenomenal, a remarkable feat.
Meanwhile, Customer Service helped us write a frank, personal letter explaining the delay, and asking our customers to wait. Amazingly, only five customers — fewer than 1% — canceled their orders.
Each jacket cost us almost $30 more than planned, not to mention the aggravation. But our customers trusted us, and we honored that trust.
Betsy Hendrickson, Director of Merchandising
This coat never


made it to the customer.
00:00:00:27



Cacique> When I became the panties buyer, I put myse[illegible] the customer's, well . . . shoes. I bought all of our products and all of our competitors' products. I didn't think I'd ever get through wearing them all, but I did, and I've learned a lot through wear-testing and washing.

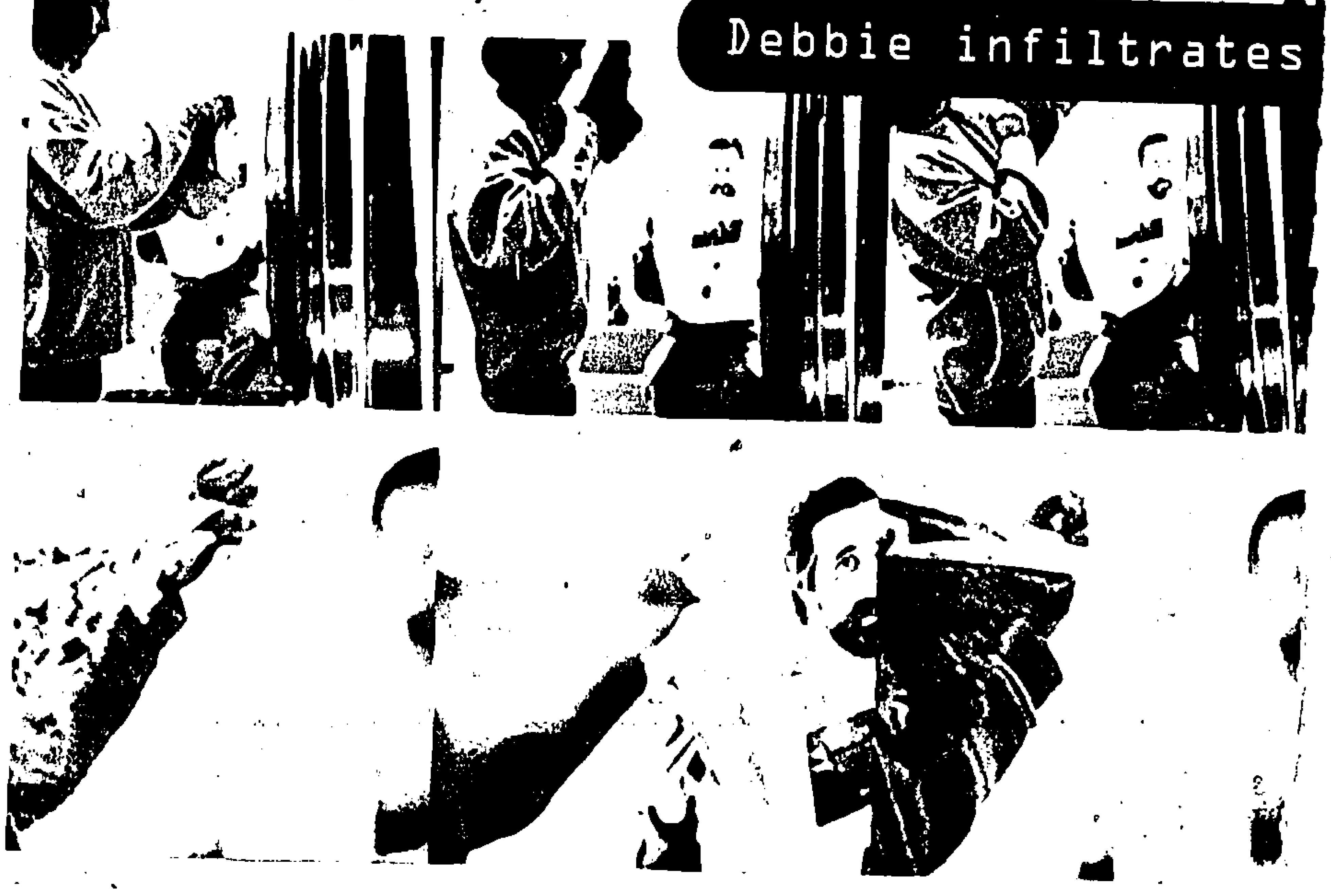
For instance, I found that when we weren't the cheapest, our fabric was the best for the price range. I made some of our elastics more comfortable, and I changed the specs on a fabric so that our bras and panties would wash and match better.

When I was shopping, I also found it hard to tell one size from another, so we came up with a program to code size in an attractive way.

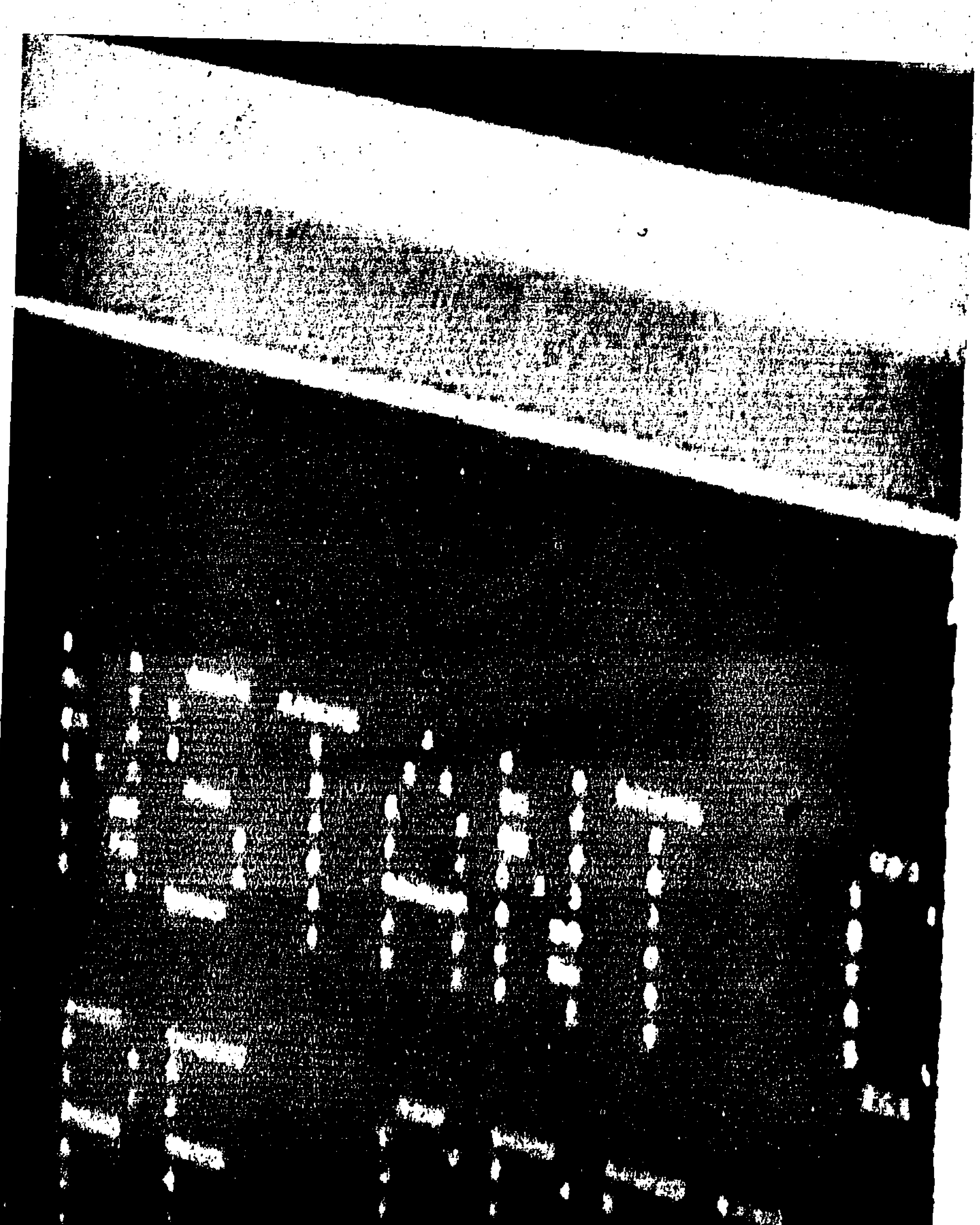
I've been giving the store managers an overview of what I've learned, but a lot of the changes I've made haven't hit the selling floor yet. Meanwhile, my personal inventory of panties just keeps growing. Every time there's something new, I'm always out there shopping.

Debbie Steiger, Buyer

Debbie infiltrates




the underworld.
00:00:00:29



Structure> Our store and district managers hold weekly conference call meetings, and our leadership team regularly reviews comments from the stores.

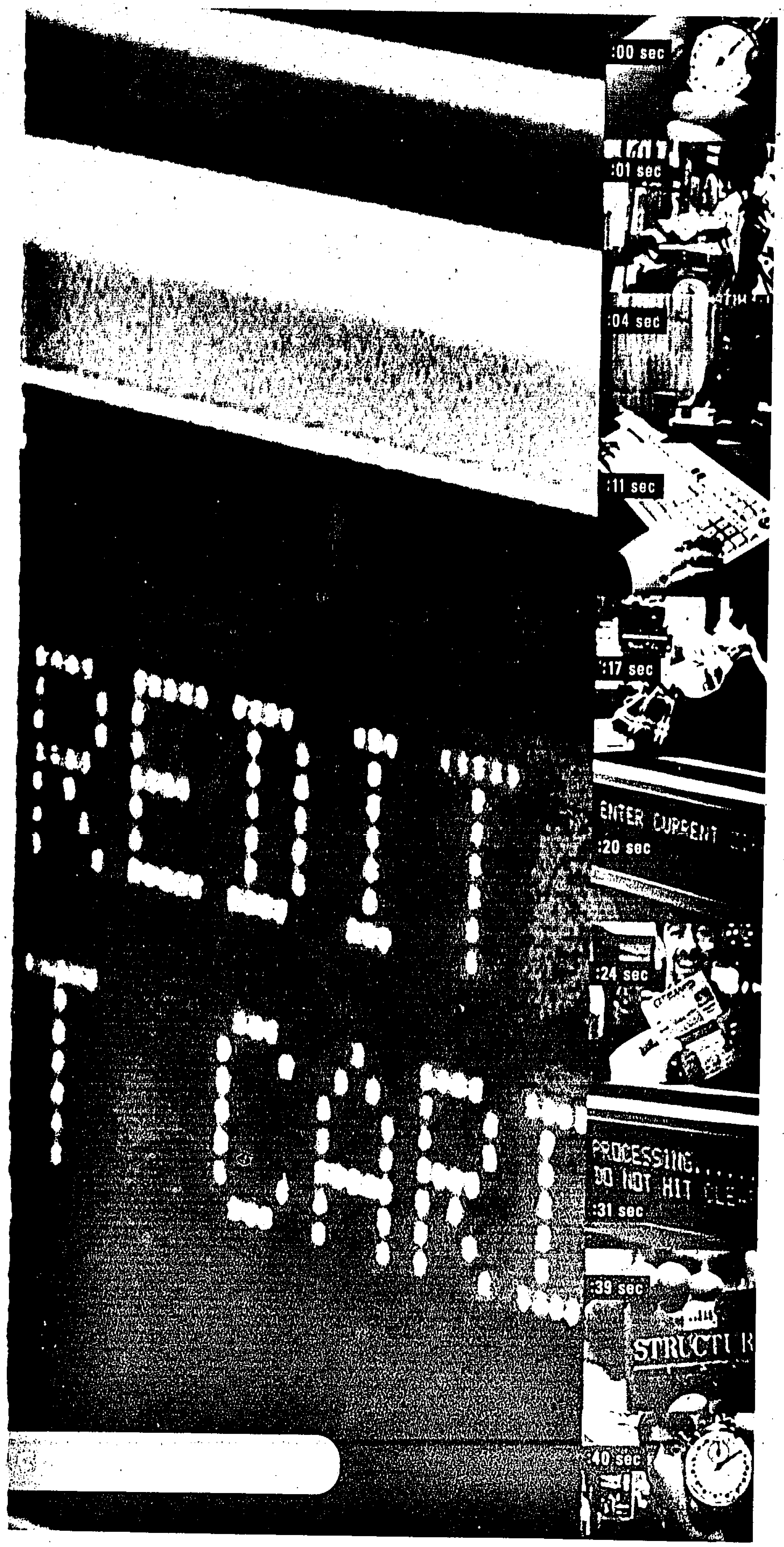
One thing we learned was that our customers liked the benefits of having a Structure credit card, such as discount coupons and notices of special events. But they didn't like opening charge accounts for some very basic reasons: they didn't like leaving credit applications in the store, or hearing their account numbers read over the phone. And they didn't like waiting.

With help from Limited Credit Services, we set out to find ways to address our customers' concerns and to cut their waiting time. We developed a way to authorize a Structure credit card as soon as we've "read" any major credit card from a customer.

The end result was that in December 1994, we saw a 300% increase in credit card accounts opened per store. That's a huge increase, and a benefit to both the customer and the store.

Charlotte Hicks, Programmer
Rob Seybold, Vice President, MIS

We give our custo...rs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ENTER CURRENT
:20 sec
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PROCESSING.....
DO NOT HIT
:31 sec
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ABERCROMB

Abercrombie & Fitch Co.>

We developed a better chino to match the fashion and quality levels of the rest of our sportswear. To test the new pants, we decided to ask associates at other Limited divisions for their opinions.

Our marketing team made a big "Get a Free Pair of Chinos" easel sign, and I set up a table in another headquarters building by 7:30 a.m., to catch the early birds.

A group would come up, and I'd go into my pitch: "Hi, I'm with Abercrombie & Fitch..." People gave me their sizes, and I handed out surveys as I gave out the pants.

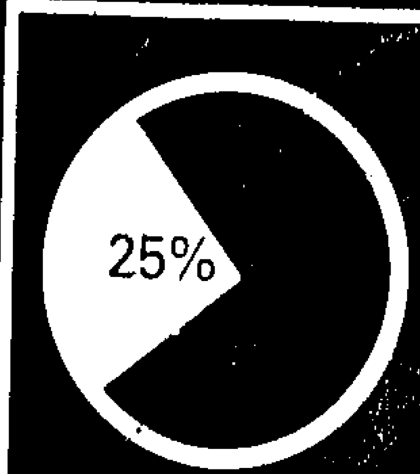
The responses to our quality and design details were overwhelmingly positive, both from chino-wearers and non-chino-wearers. This gave us the initial assurance we needed to take the chinos to the stores. And we're continuing to make our chinos better, to build our brand identity.

Scott Walls, Assistant Buyer, Men's Bottoms

00:00:00:33

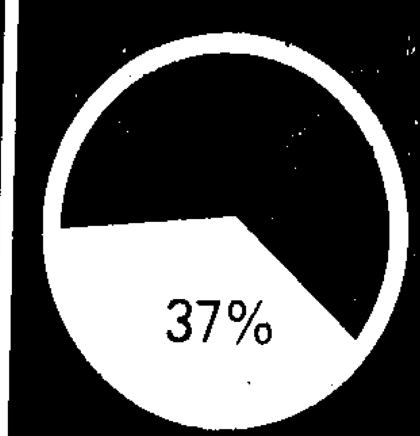
pause

lingerie>



% OF TOTAL SALES
($ in Millions)

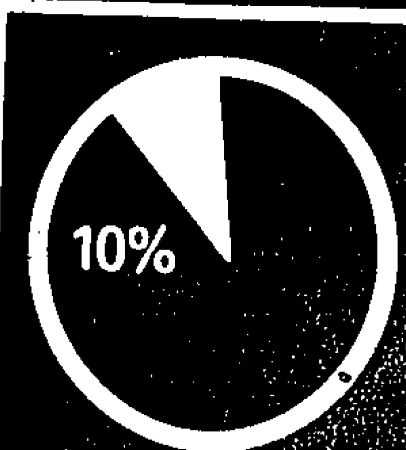
1994	$1,842	25%
1993	1,514	21%
1992	1,263	18%



% OF TOTAL OPERATING INCOME
($ in Millions)

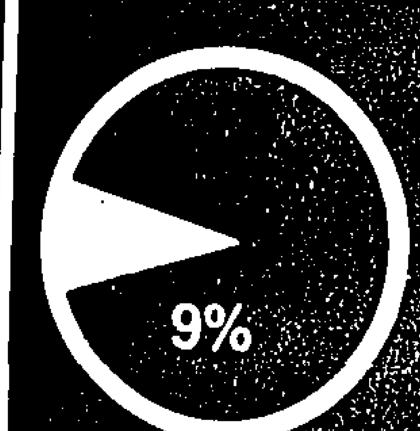
1994	$297	37%
1993	235	33%
1992	171	22%

		SALES (Millions)	% TOTAL SALES
Victoria's Secret Stores	1994	$1,181	16%
	1993	992	14%
	1992	840	12%
Victoria's Secret Catalogue	1994	$ 569	8%
	1993	436	6%
	1992	367	5%
Cacique	1994	$ 92	1%
	1993	86	1%
	1992	56	1%



% OF TOTAL SALES
($ in Millions)

1994	$721	10%
1993	561	8%
1992	403	6%



% OF TOTAL OPERATING INCOME
($ in Millions)

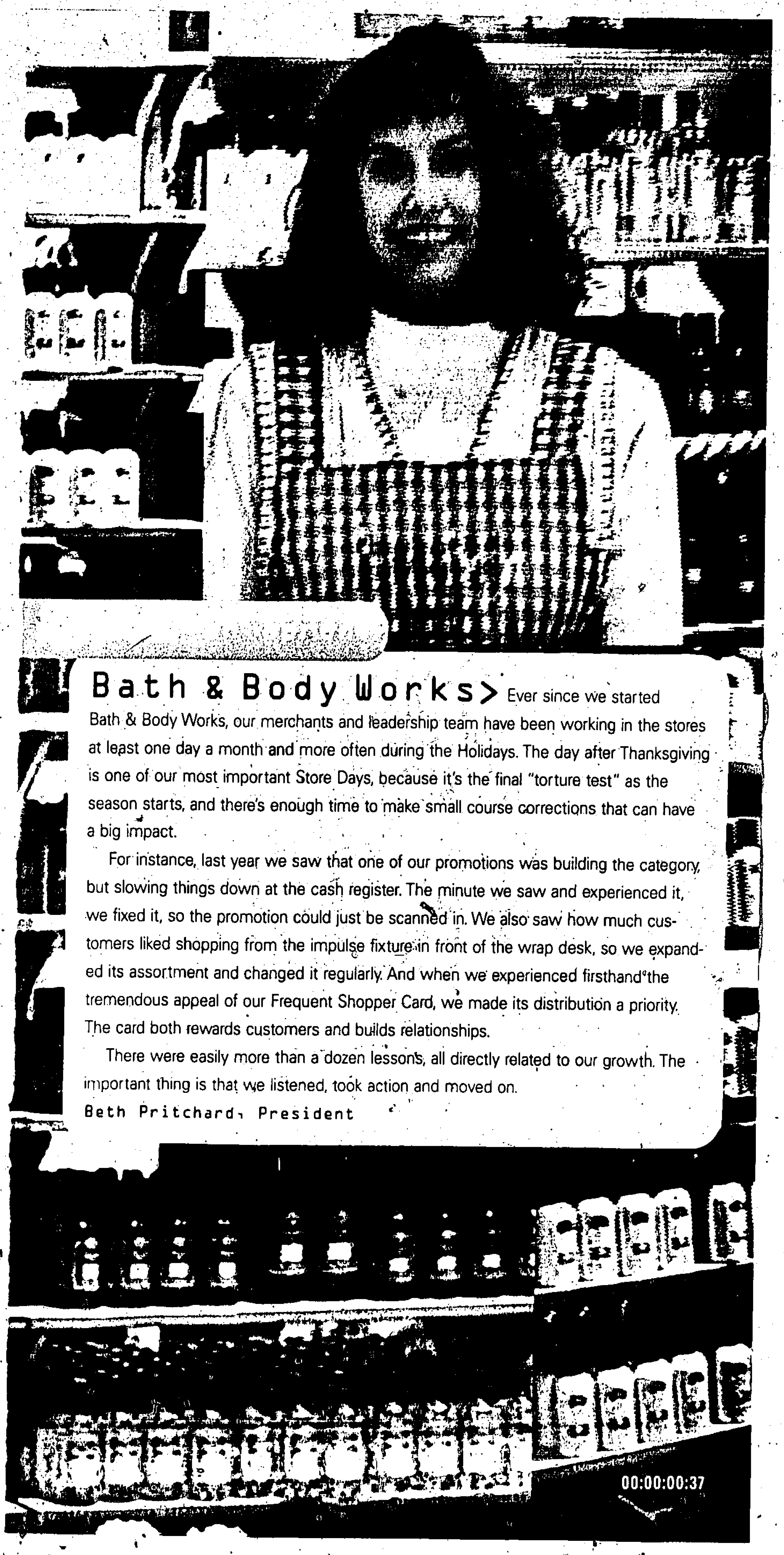
1994	$75	9%
1993	52	7%
1992	29	4%

Structure	1994	$ 556	8%
	1993	450	6%
	1992	318	5%
Abercrombie & Fitch Co.	1994	$ 165	2%
	1993	111	2%
	1992	85	1%

"The Victoria's Secret brand sold in both stores and catalogue will continue to be America's dominant lingerie brand, and will account for more than $2 billion in sales in 1995." -Leslie H. Wexner, Chairman

"In 1995, Structure and Abercrombie & Fitch Co. will continue to increase their market share in the emerging menswear category." -LHW

1994 RESULTS	1995 GOALS
•Set new fourth quarter and year-long records in operating income dollars •Ran a national print and TV advertising campaign on the *Miracle Bra* and *Second Skin Satin*	•Improve quality and equity of brand and enhance brand loyalty through: –introduction of new products –focus on product line extensions (e.g., *Second Skin Satin, Miracle Bra*) •Continue successful national TV advertising •Aggressively expand store square footage •Continue to strengthen financial management in order to become leaders in productivity and expense efficiency
•Significantly increased the number of customers purchasing in the last 12 months •Launched two new lifestyle catalogues – *Swimsuit* and *Country* editions – which were well received and successful •Opened a second phone center in Kettering, Ohio, which more than doubled our telemarketing capacity	•Increase sales productivity by utilizing the new customer file developed as a result of 1994's record year •Improve mailings based on buying patterns and other customer attributes •Increase circulation of successful *Swimsuit* and *Country* editions, while pursuing other new opportunities
•Focused on training and development of associates •Improved systems and distribution productivity	•Smooth transition to new leadership •Improve the brand image and quality •Focus on sales growth
•Established an initial base for the casual suit separate business •Expanded the credit card customer base and modified the instant credit procedures, to provide better customer service •Grew sales and profit	•Improve productivity by broadening the merchandise assortment and maintaining in-stock assortments •Reduce the number of promotions needed to drive the business •Continue to strengthen the merchant organization
•Achieved major improvements in volume, merchandise margins and profits •Established women's business as a contributor to total sales and profits •Significantly strengthened the merchant and product development organization	•Continue aggressive store opening program, targeting 100 stores by year-end •Increase sales productivity through a fresh and distinctive flow of merchandise •Continue to develop the women's business •Improve productivity by enhanced internal merchandise design and development capability

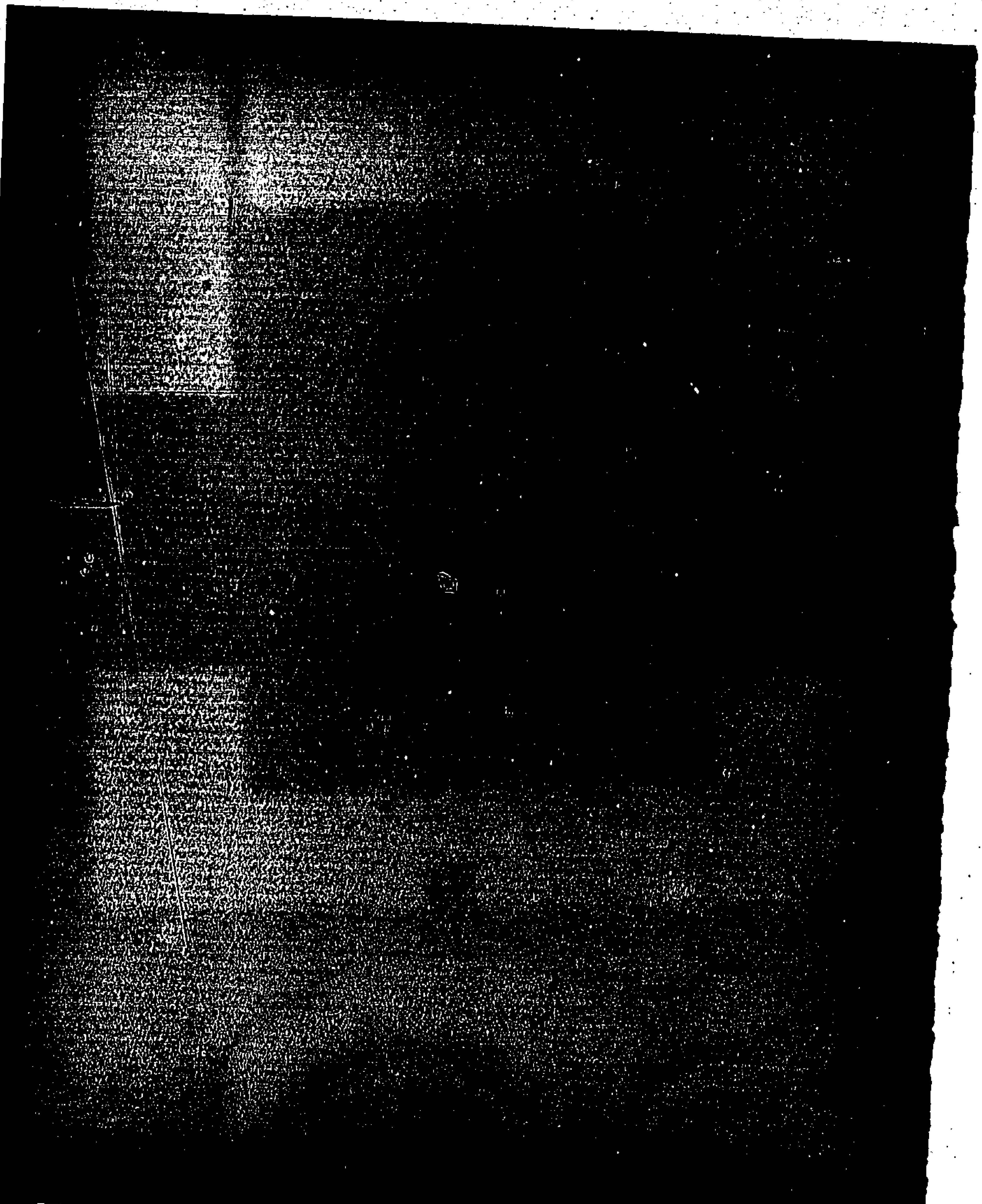


Bath & Body Works> Ever since we started Bath & Body Works, our merchants and leadership team have been working in the stores at least one day a month and more often during the Holidays. The day after Thanksgiving is one of our most important Store Days, because it's the final "torture test" as the season starts, and there's enough time to make small course corrections that can have a big impact.

For instance, last year we saw that one of our promotions was building the category, but slowing things down at the cash register. The minute we saw and experienced it, we fixed it, so the promotion could just be scanned in. We also saw how much customers liked shopping from the impulse fixture in front of the wrap desk, so we expanded its assortment and changed it regularly. And when we experienced firsthand the tremendous appeal of our Frequent Shopper Card, we made its distribution a priority. The card both rewards customers and builds relationships.

There were easily more than a dozen lessons, all directly related to our growth. The important thing is that we listened, took action and moved on.

Beth Pritchard, President



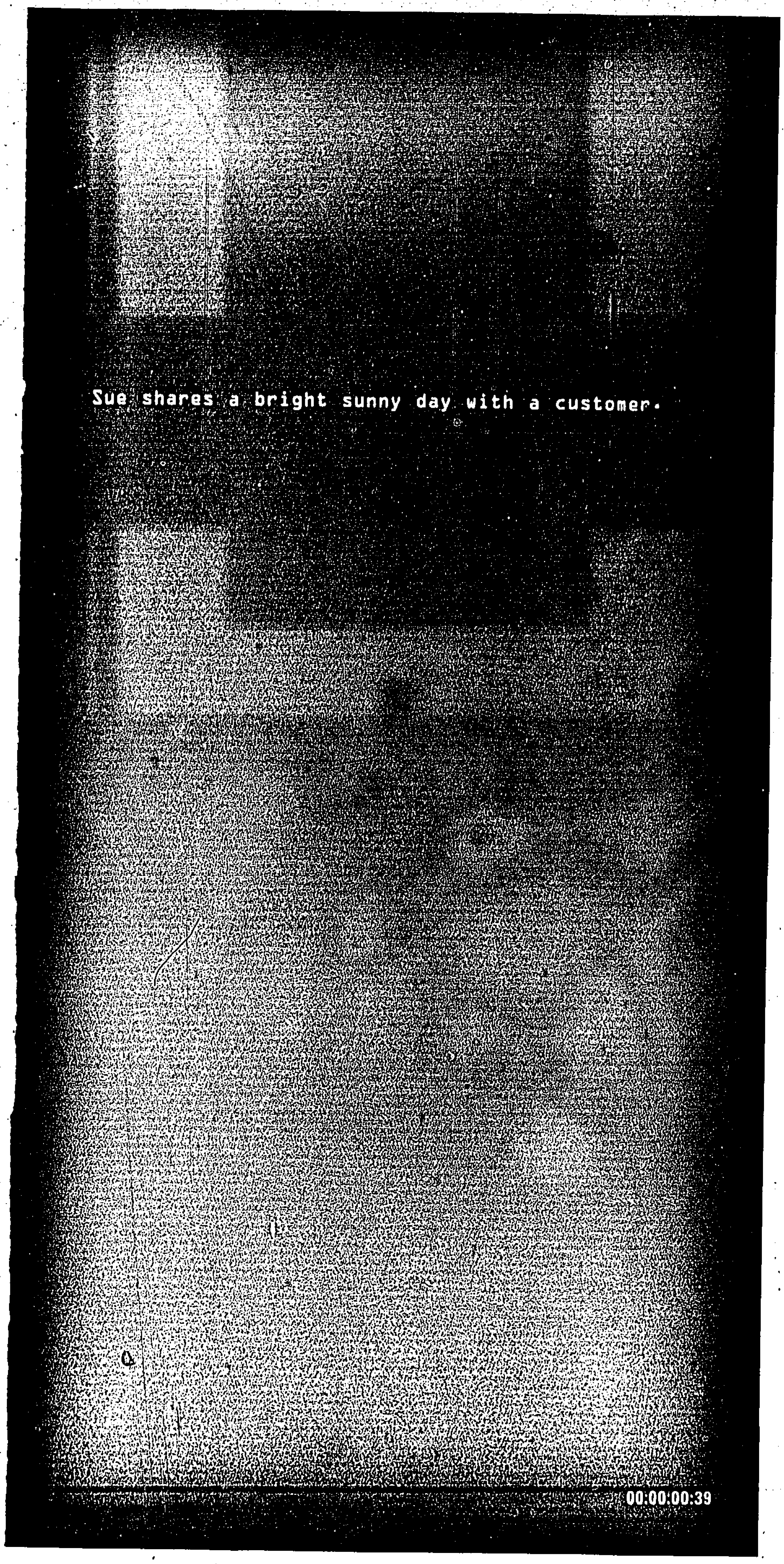
Penhaligon's> One Saturday morning last Summer, I took a telephone call from a lady who explained that she was blind, and that she had just received our scented catalogue from a friend. She asked me to describe our floral toilet waters, since the catalogue did not have scented pages for them.

We talk through our perfumes with many of our customers. So I was able to tell her, for instance, that *Lily of the Valley* is a fresh, lovely scent that you could put on first thing in the morning, or that *Gardenia* is really best kept for hot summer evenings, for the scent is quite dramatic.

She was very receptive, and asked when I would next be in the shop, because it seemed silly to start afresh with someone else. When she came with an attendant, she sampled everything, and felt all the bottles and boxes. She rather wanted to go away with several scents, and purchased eight perfumes in miniature, and two in body lotions.

She was a lovely person, quite independent. I realized that scent was her way of enjoying everything, and that our perfumes and other beautiful things can actually be essentials for our customers' quality of life.

Sue Phillips, Deputy Manager, London Shops


Sue shares a bright sunny day with a customer.
00:00:00:39

The Limited Too> Over the years, we've watched our customers grow out of our merchandise. It's a shame, because many of these young girls want to shop at The Limited Too with their friends, regardless of their physical size. And they can't always move to our sister divisions right away, because the styles are too sophisticated.

Hearing this from customers and associates, I presented the challenge to our merchandising team. As they listened to what our customers wanted, we introduced The Limited Too jeans, in size 18, in November. The response has been so strong that we'll be carrying size 18 in other categories this Spring.

I think the larger sizes are successful because we're still taking care of our customers. They can dress like their friends — they fit in. Now our customers range from six months all the way to 16 years, and that's a huge market.

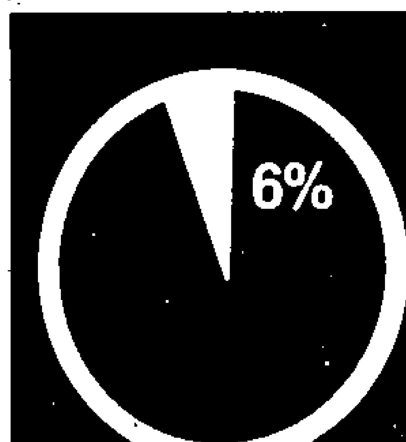
Our leadership listens to us and tests our ideas. That's one of the things that's helping us grow.

Michelle Patterson, District Sales Manager

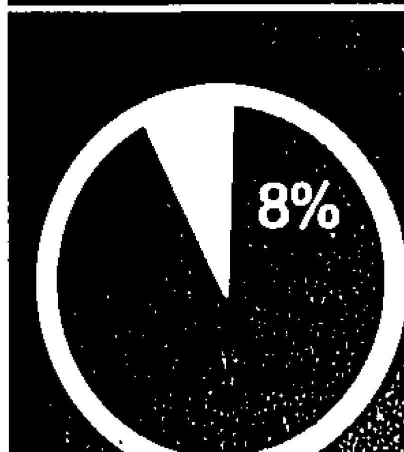
00:00:00:41

pause

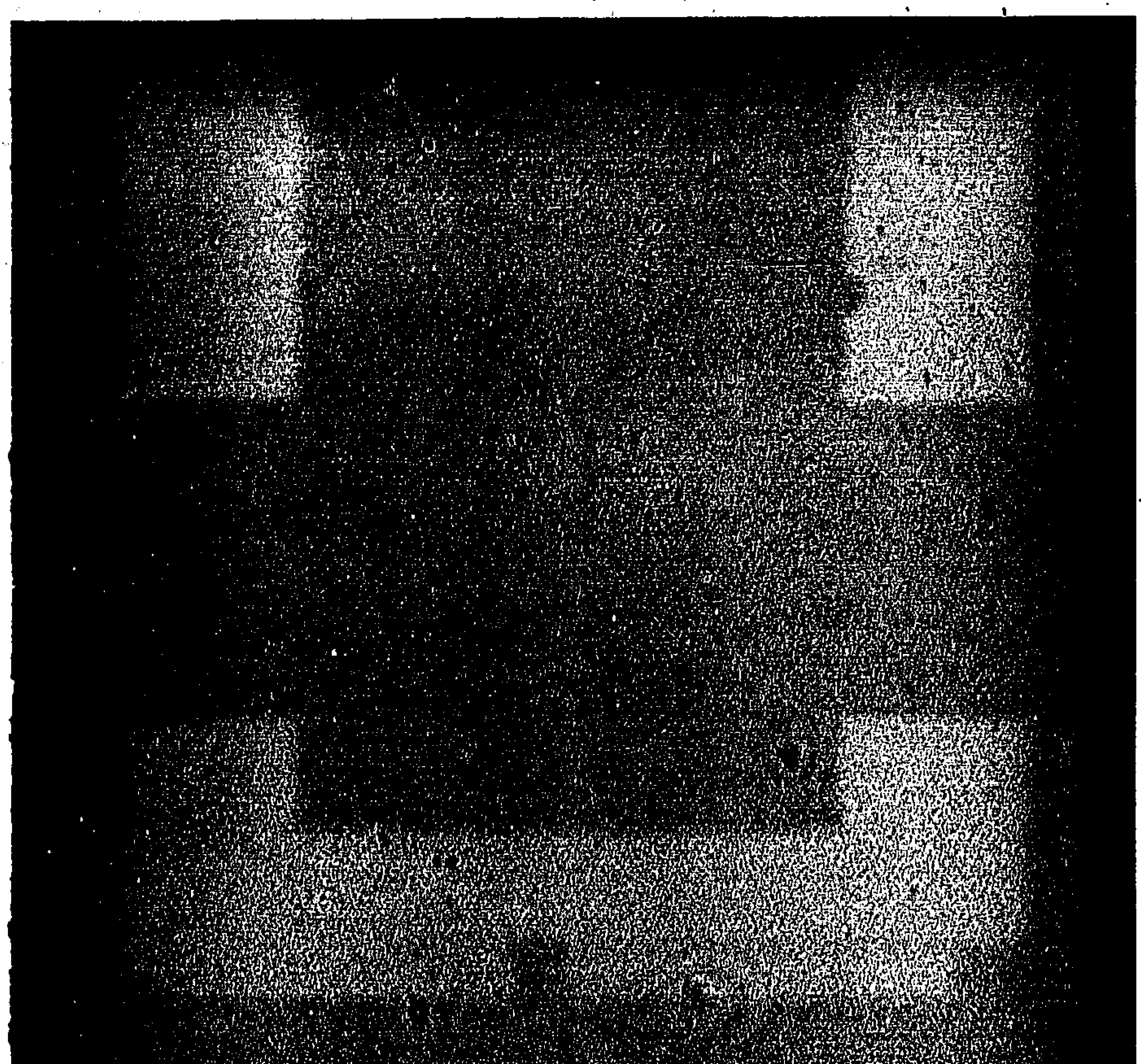
	% OF TOTAL SALES ($ in Millions)		
	1994	$439	6%
	1993	264	4%
	1992	170	3%



	% OF TOTAL OPERATING INCOME ($ in Millions)		
	1994	$66	8%
	1993	23	3%
	1992	(11)	-1%

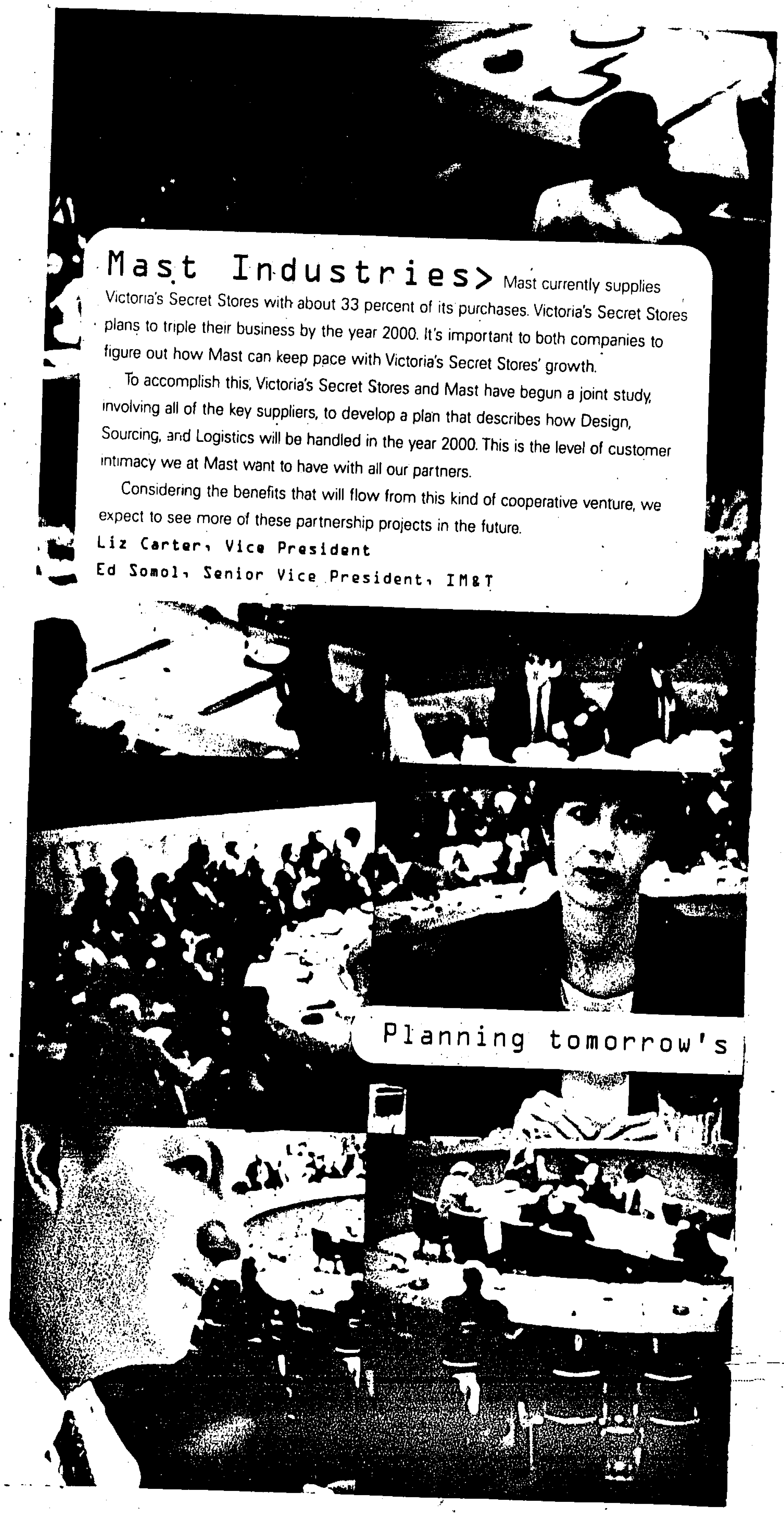


		SALES (Millions)	% TOTAL SALES
Bath & Body Works	1994	$260	4%
	1993	112	2%
	1992	57	1%
Penhaligon's	1994	$ 5	0%
	1993	5	0%
	1992	5	0%
The Limited Too	1994	$174	2%
	1993	147	2%
	1992	[illegible]	2%



"Personal care and children's will continue to be powerful engines of growth, aggressively expanding square footage and increasing the market share of their brands."
-Leslie H. Wexner, Chairman

1994 RESULTS	1995 GOALS
•More than doubled sales and tripled profits •Aggressively expanded square footage, opening 125 stores	•Open a minimum of 200 stores •Continue to grow customer loyalty and sales through ongoing new product development and successful new product launches •Consistently improve product quality •Ensure we have the talent to build a billion-dollar-plus business •Meet the challenges of an international brand
•Grew the customer base, sales, and average sale amount • Strengthened the luxury gift business	• Build brand awareness • Pursue new channels of distribution
•Became the destination store for girls buying casual clothes •Introduced baby apparel	•Increase volume and productivity through the expansion of the merchandise assortment •Strengthen the quality of the merchant organization



Mast Industries> Mast currently supplies Victoria's Secret Stores with about 33 percent of its purchases. Victoria's Secret Stores plans to triple their business by the year 2000. It's important to both companies to figure out how Mast can keep pace with Victoria's Secret Stores' growth.

To accomplish this, Victoria's Secret Stores and Mast have begun a joint study, involving all of the key suppliers, to develop a plan that describes how Design, Sourcing, and Logistics will be handled in the year 2000. This is the level of customer intimacy we at Mast want to have with all our partners.

Considering the benefits that will flow from this kind of cooperative venture, we expect to see more of these partnership projects in the future.

Liz Carter, Vice President

Ed Somol, Senior Vice President, IM&T


growth today.
00:00:00:45

Limited Credit Services>

When a flood or earthquake hits, people can lose their entire homes, and their lives are just on hold. Probably every one of our Customer Service and Collections associates has had at least one call from a customer in that kind of situation.

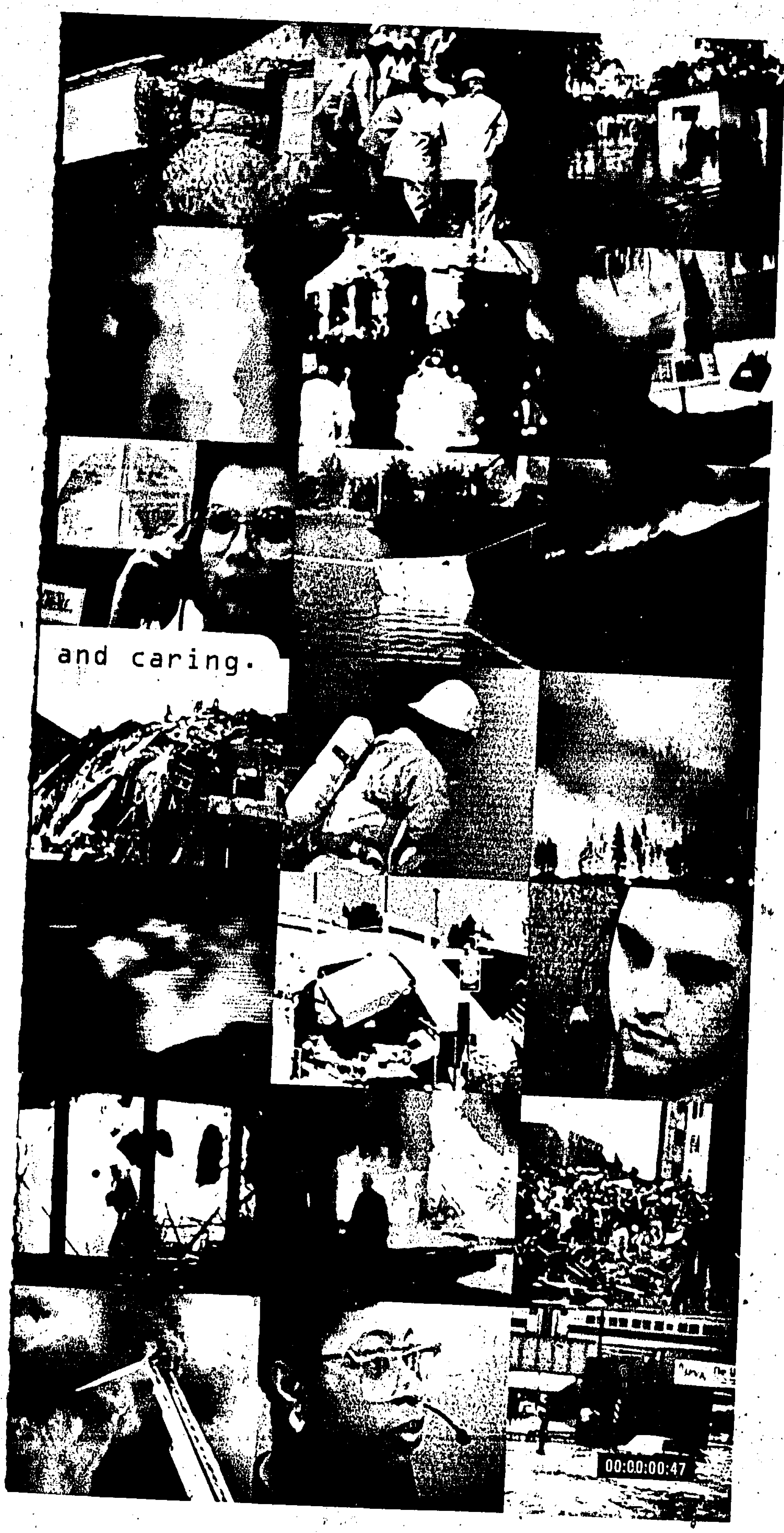
That's why we have developed options, depending on the customer's situation: adjusting the payment for the month, delaying or forgiving the payment, or giving a discount if the customer needed to buy new clothing.

The next step was to become proactive rather than reactive. We assigned associates to contact the Red Cross, monitor the news and work with the store divisions to offer help to customers in the affected parts of the country.

Customers call and send us letters all the time, not necessarily to ask for help but to applaud us for offering it. Customers seem so surprised... they just don't think of a big credit company caring so much for them!

Kathy Long, Service Manager

Giving credit,


and caring.
00:00:00:47

Limited Distribution Services>

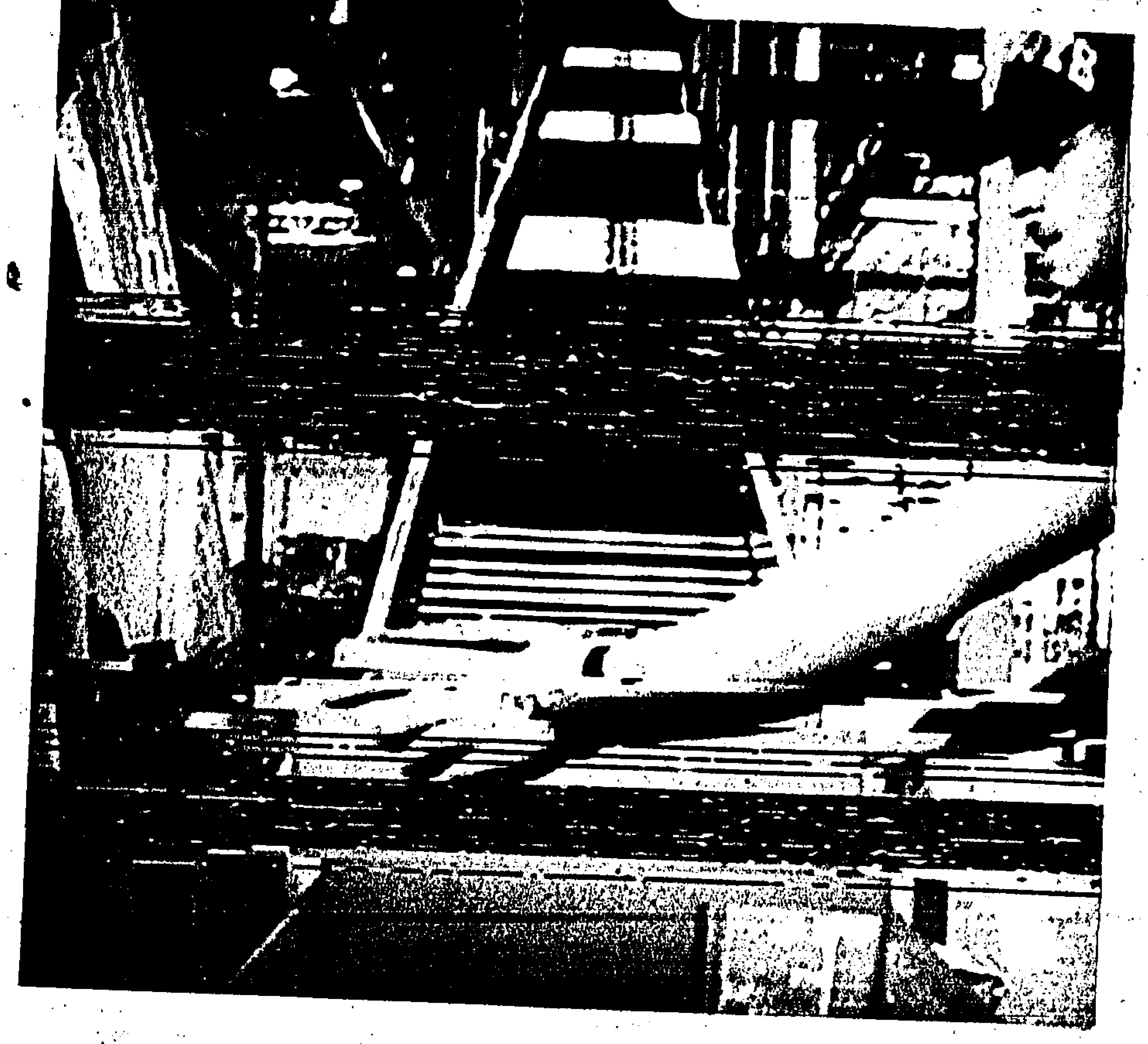
During Holiday '93, Bath & Body Works had such explosive growth that their pre-packaged gift sets nearly buried us in the shipping building. Then for 1994, Bath & Body Works asked if we had some space where they could assemble the gift sets. When we factored in their expected 50% growth for Holiday '94, we went one step further: we partnered with them to set up a separate shipping and transportation center.

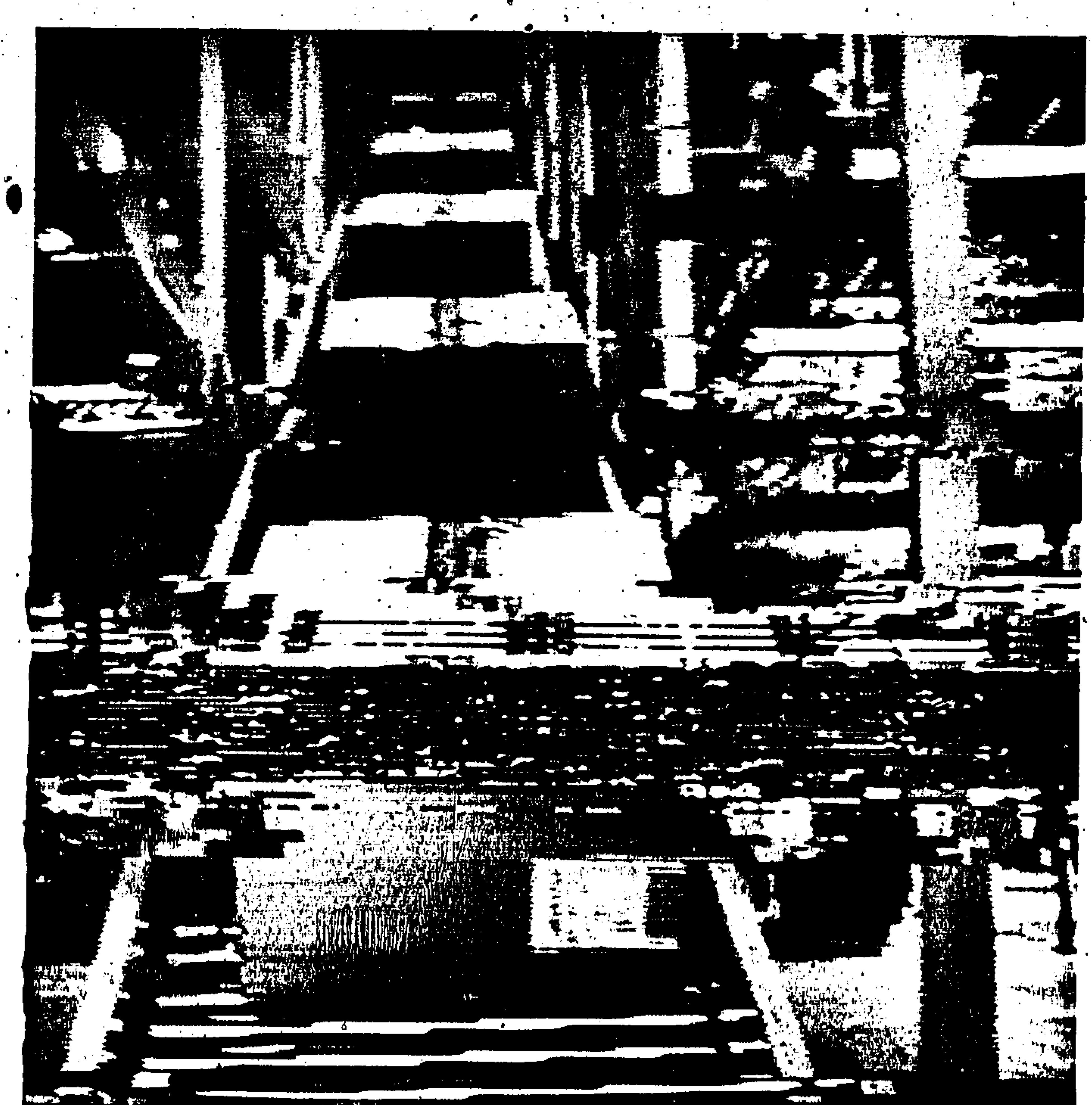
We carved the space out in a warehouse, and created a direct-ship operation from scratch, without increasing staff. In such limited floor space, with so many gift sets flying out the door, we had to turn things over in a few hours or we'd get swallowed up!

We had quicker turnaround, Bath & Body Works got a gift set assembly area, and we didn't jam up the shipping building — so we helped out the other divisions, too. Everyone was a huge winner in this process. Next Holiday, we'll be even more prepared.

Jim Mann, Accounting Clerk
Doug Patch, Supervisor, Shipping

We fast-forward





through the best parts of the year.

Making the square feet count.

Limited Real Estate>

We have the best locations in the best malls in the country.

In our continuing dialogue with our 12 retail businesses, we've found that some of our stores are larger than they really need to be. At the same time, several of our brands — like Abercrombie & Fitch Co., Bath & Body Works, The Limited Too, Structure and Victoria's Secret — are searching for more space. Of course, they only want the best space in the best malls.

So over the past few years, we've aggressively carved out space in some of our larger stores for businesses that need it more. Results to date have been a "win-win" for both businesses: productivity of the square-footage is significantly higher. That's why we'll more than double the number of carve-outs this year.

Our dynamic portfolio of businesses gives us more flexibility than our competitors, and we're making the most of it.

Buck Sappenfield, President

Limited Store Planning>

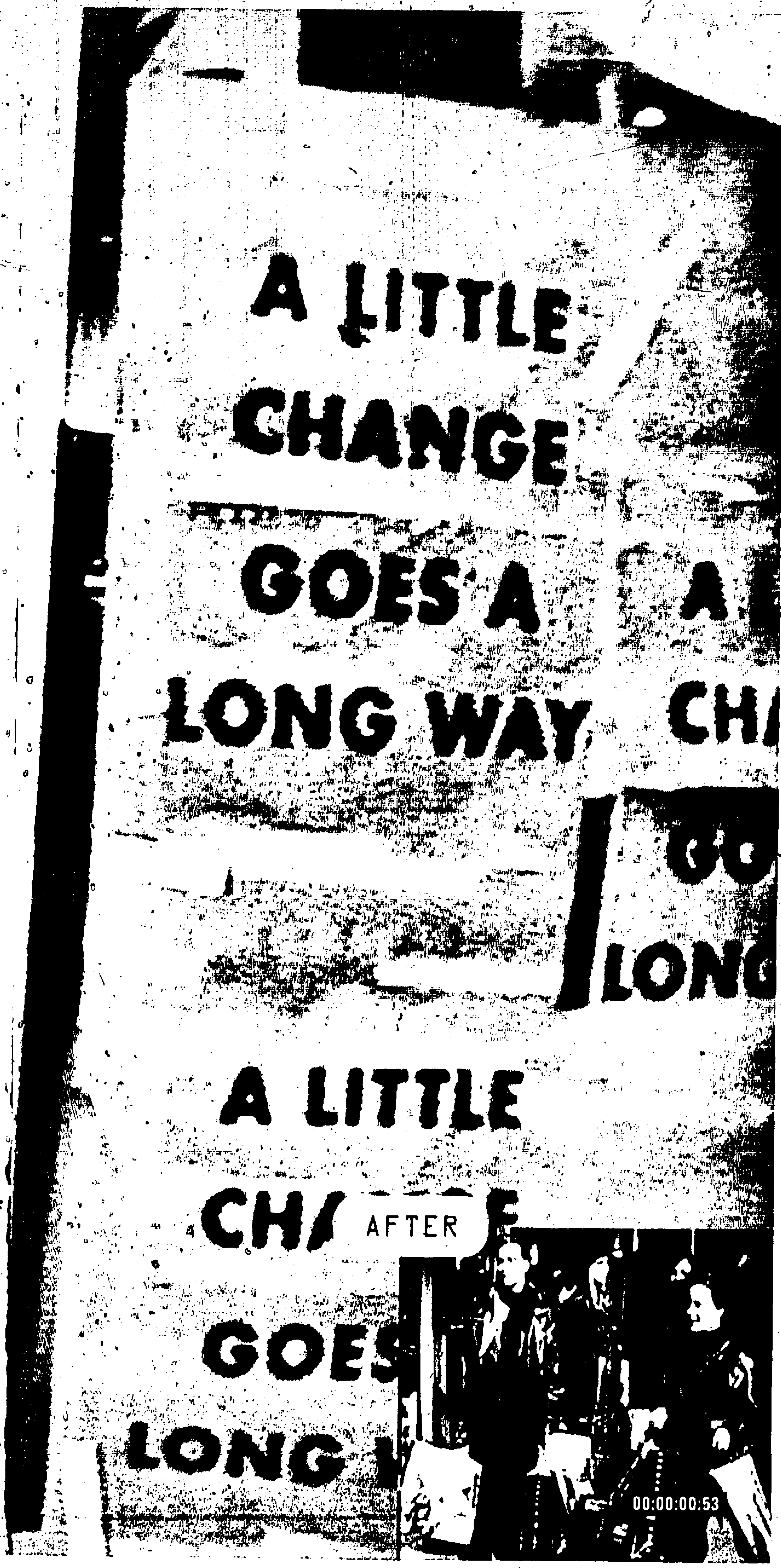
In one of our regular leadership meetings with Lerner New York, we found that they were delighted with a new store design we had developed for their top stores. They wanted to roll it out everywhere, within a very tight budget.

Through discussions with Lerner New York, we identified the essential elements of the new design. Then, to capture their flavor, we brought in all of our designers — six full teams, each of which normally had its own separate set of clients — for an all-day brainstorming session.

Together, we produced a remodel in record time at about one-third the normal cost. It's something that can really help Lerner New York attract customers.

We've completed the remodel in several states. We're also putting all our teams together for big projects for other divisions. The great thing about these group design meetings is that we constantly challenge each other to do better.

Brian Cornelius, Director of Store Planning


A LITTLE
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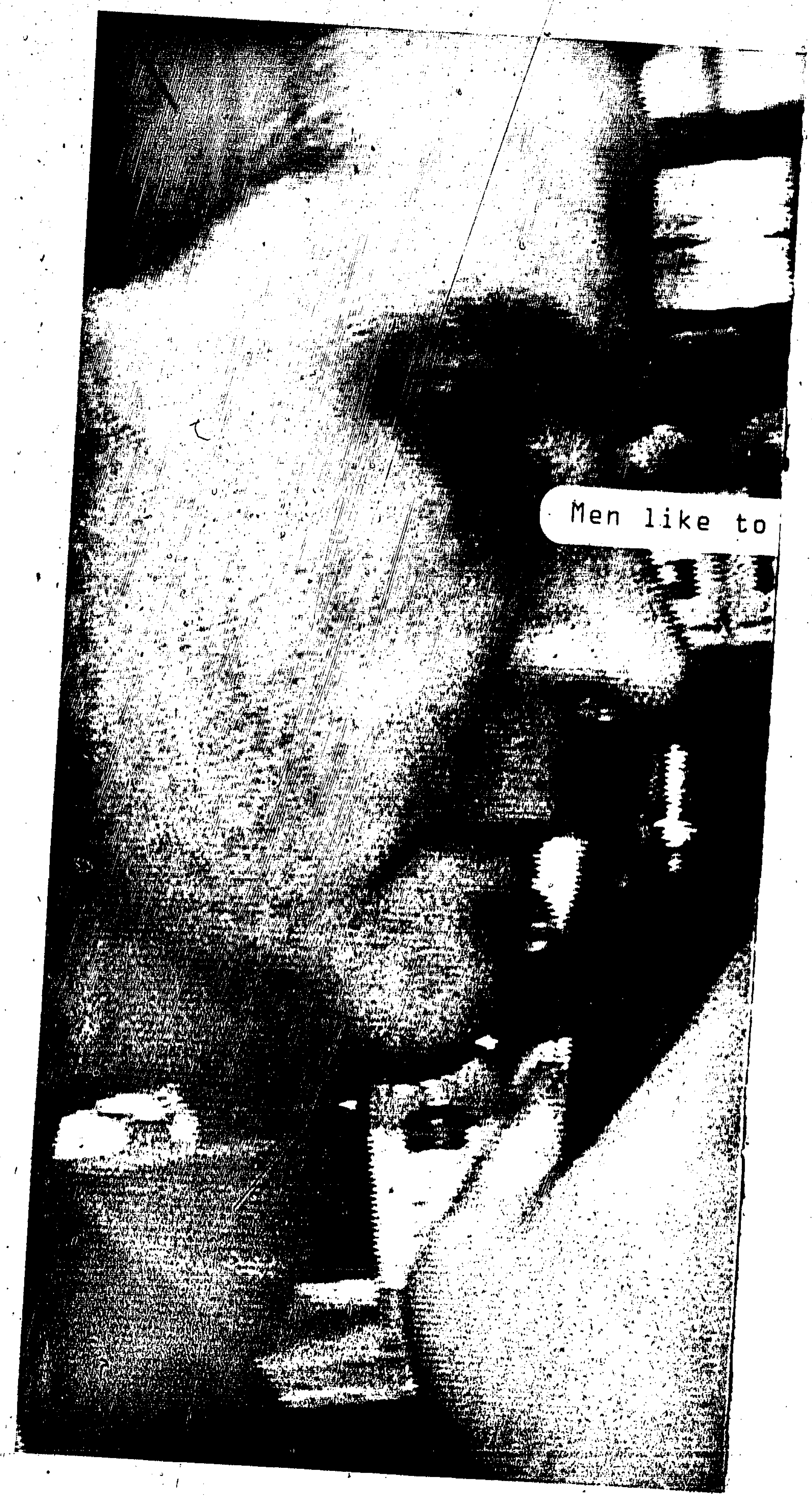

Men like to

Gryphon> As we joined the Bath & Body Works leadership team on store visits, making the men's business more successful became a joint priority. So we asked both male and female shoppers what they wanted.

We learned we had to brighten our men's section, give our products a bolder and more masculine package design, and make the different scents more visually distinctive. We also found we had a gap in our line. We needed something with a rugged, outdoors image.

After market-testing, we launched our new *Woodland* scent simultaneously with our package redesign. The result was that the men's line was one of the outstanding performers for Holiday 1994, and its same-store sales grew more than 40% for the season.

That was just a first step, though. There are huge opportunities in making Bath & Body Works the gold standard of men's fragrances.

Annette McEvoy, Vice President, Marketing

smell good too.

record.

Financial Contents

"The financial strength of our business gives us the flexibility and resources to do much more than daydream. Our fundamentals have never been stronger...we are well-positioned to invest in the ideas, systems and people that will drive our businesses well into the next century."
-Kenneth B. Gilman, Vice Chairman and Chief Financial Officer

Our Operating Results
(Thousands except per share amounts)

	1994	1993	% Change
Net Sales	$7,320,792	$7,245,088	1%
Operating Income	$ 798,989	$ 701,556	14%
Net Income	$ 448,343	$ 390,999	15%
Net Income as a Percentage of Sales	6.1%	5.4%	
Net Income Per Share	$ 1.25	$ 1.08	16%
Dividends Per Share	$ .36	$ .36	--

Our Year-End Position
(Thousands except financial ratios)

	1994	1993	% Change
Total Assets	$4,570,077	$4,135,105	11%
Working Capital	$1,750,111	$1,513,181	16%
Current Ratio	3.2	3.1	
Long-Term Debt	$ 650,000	$ 650,000	--
Debt-to-Equity Ratio	24%	27%	
Shareholders' Equity	$2,760,956	$2,441,293	13%
Return on Average Shareholders' Equity	17%	17%	

Stores Open at End of Year

	1994	1993
Express	716	673
Lerner New York	846	877
Lane Bryant	812	817
The Limited	709	746
Henri Bendel	4	4
Victoria's Secret Stores	601	570
Cacique	114	108
Structure	466	394
Abercrombie & Fitch Co.	67	49
Bath & Body Works	318	194
Penhaligon's	4	7
The Limited Too	210	184
Total Number of Stores	4,867	4,623
Selling Square Feet	25,627,000	24,426,000

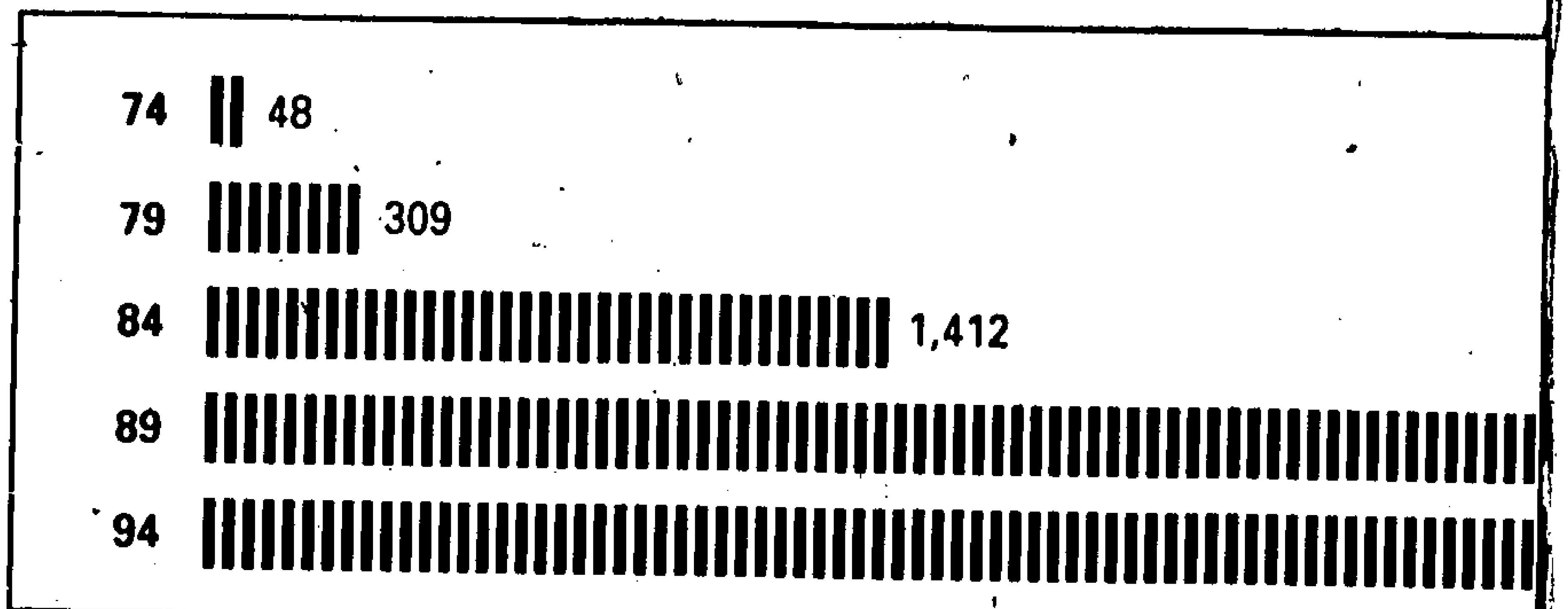
Number of Associates 105,600

Financial Summary

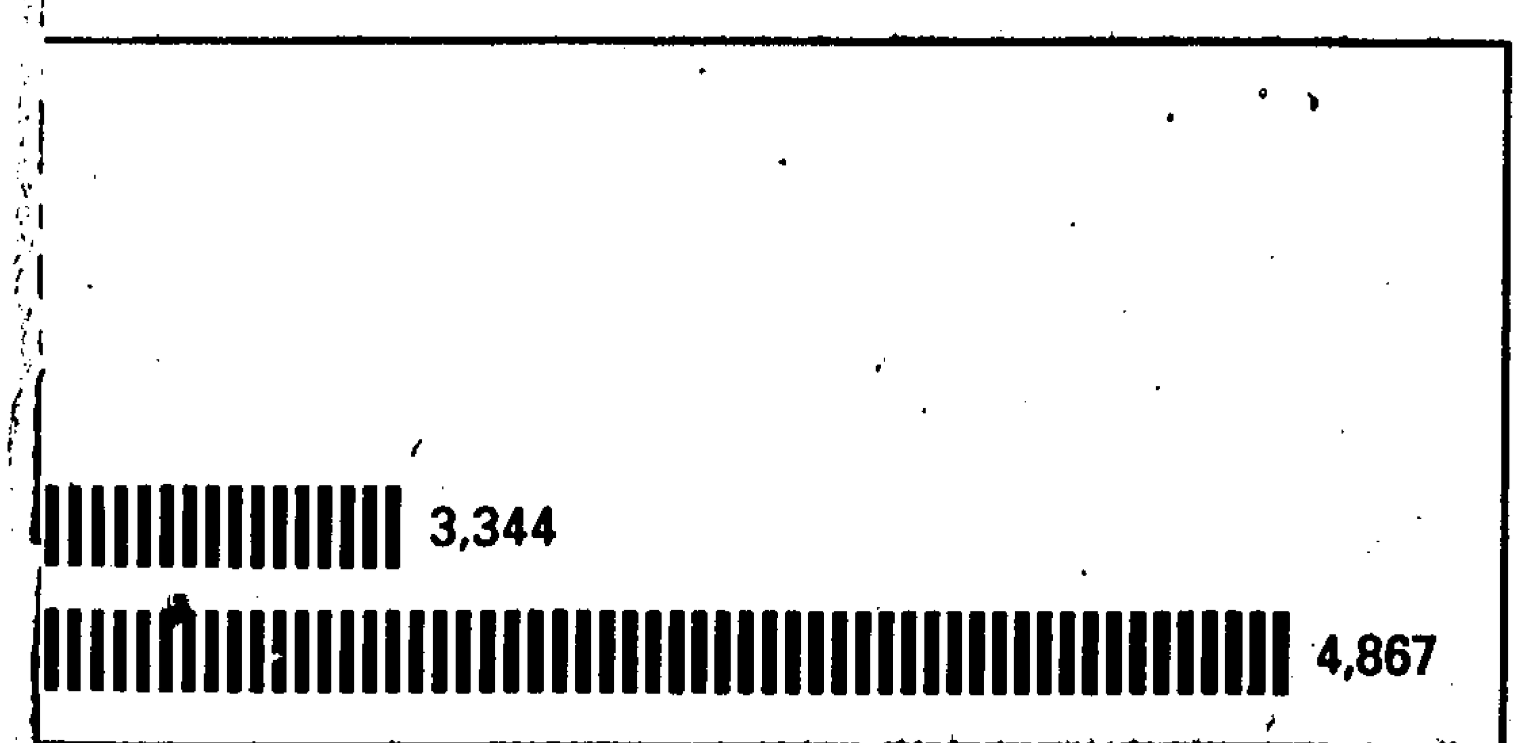
(Thousands except per share amounts, ratios and store and associate data)

Fiscal Year	1994	1993▲	1992	1991●
Summary of Operations				
Net Sales	$ 7,320,792	$ 7,245,088	$ 6,944,296	$ 6,149,218
Gross Income	2,114,363	1,958,835	1,990,740	1,793,543
Operating Income	798,989	701,556	788,698	712,700
Income Before Income Taxes	744,343	644,999	745,497	660,302
Net Income	$ 448,343	$ 390,999	$ 455,497	$ 403,302
Net Income as a Percentage of Sales	6.1%	5.4%	6.6%	6.6%
Per Share Results				
Net Income	$ 1.25	$ 1.08	$ 1.25	$ 1.11
Dividends	$ .36	$ .36	$ .28	$ .28
Book Value	$ 7.72	$ 6.82	$ 6.25	$ 5.19
Weighted Average Shares Outstanding	358,601	363,234	363,738	363,594
Other Financial Information				
Total Assets	$ 4,570,077	$ 4,135,105	$ 3,846,450	$ 3,418,856
Working Capital	$ 1,750,111	$ 1,513,181	$ 1,063,352	$ 1,084,205
Current Ratio	3.2	3.1	2.5	3.1
Long-Term Debt	$ 650,000	$ 650,000	$ 541,639	$ 713,758
Debt-to-Equity Ratio	24%	27%	24%	38%
Shareholders' Equity	$ 2,760,956	$ 2,441,293	$ 2,267,617	$ 1,876,792
Return on Average Shareholders' Equity	17%	17%	22%	23%
Stores and Associates at End of Year				
Total Number of Stores Open	4,867	4,623	4,425	4,194
Selling Square Feet	25,627,000	24,426,000	22,863,000	20,355,000
Number of Associates	105,600	97,500	100,700	83,800

▲ Includes the results of companies disposed of up to the disposition date.
● Includes the results of companies acquired subsequent to the date of acquisition.
■ Fifty-three week fiscal year.



1990●	1989■▲	1988●	1987	1986	1985●	1984■
$ 5,253,509	$ 4,647,916	$ 4,070,777	$ 3,527,941	$ 3,142,696	$ 2,387,110	$ 1,343,134
1,630,439	1,446,635	1,214,703	992,775	961,827	718,843	404,321
697,537	625,254	467,418	408,872	438,229	276,212	173,102
653,438	573,926	396,136	378,188	394,780	239,317	157,495
$ 398,438	$ 346,926	$ 245,136	$ 235,188	$ 227,780	$ 145,317	$ 92,495
7.6%	7.5%	6.0%	6.7%	7.2%	6.1%	6.9%
$ 1.10	$ .96	$ .68	$ .62	$ .60	$ .40	$ .26
$ .24	$ .16	$ .12	$ .12	$ .08	$ .05	$ .04
$ 4.33	$ 3.45	$ 2.64	$ 2.04	$ 2.07	$ 1.13	$ .77
362,044	361,288	360,186	376,626	376,860	365,638	361,262
$ 2,871,878	$ 2,418,486	$ 2,145,506	$ 1,929,477	$ 1,726,544	$ 1,494,313	$ 657,242
$ 884,004	$ 685,524	$ 567,639	$ 629,783	$ 586,827	$ 419,706	$ 180,960
2.8	2.4	2.2	2.9	2.7	2.2	2.0
$ 540,446	$ 445,674	$ 517,952	$ 681,000	$ 417,420	$ 670,744	$ 150,139
35%	36%	55%	93%	53%	166%	55%
$ 1,560,052	$ 1,240,454	$ 946,207	$ 729,171	$ 781,542	$ 404,075	$ 275,403
28%	32%	29%	31%	38%	43%	40%
3,760	3,344	3,497	3,115	2,682	2,353	1,412
17,008,000	14,374,000	14,296,000	12,795,000	11,320,000	10,460,000	5,166,000
72,500	63,000	56,700	50,200	43,200	33,600	17,700



Number of Stores

Management's Discussion and Analysis

Results of Operations

Net sales for the fourth quarter grew to $2.539 billion, an increase of 5% from $2.421 billion a year ago. Net income was $257 million, compared to $196 million last year, and earnings per share were $0.72 versus $0.54 in 1993.

Net sales for the 52-week fiscal year ended January 28, 1995 of $7.321 billion increased $318 million from sales of $7.003 billion last year (excluding Brylane's 1993 sales). Net income was $448 million compared to $391 million a year ago. Earnings per share were $1.25 compared to $1.08 last year.

In 1994, the Company delivered solid results and made significant progress on the two principal objectives for the year.

First, the Company achieved the goal of restoring merchandise margin integrity at the women's fashion apparel businesses despite negative comparable store sales, and thereby increased their operating income contribution as a percentage of sales. Merchandise margin is the key indicator by which the Company is measuring its progress in its effort to return these businesses to their historic levels of productivity and profitability.

Second, the Company continued to profitably grow its lingerie, men's, personal care and children's businesses. These divisions increased their total sales by 28%, contributed 41% of total sales and 55% of operating income.

Divisional highlights include the following:

- Express delivered a significant increase in merchandise margin rate during the fourth quarter and one of the best Fall seasons in their history in terms of operating income.
- Lane Bryant also had a solid year, producing a moderate increase in sales with improved margins.
- Although Lerner New York and Limited Stores experienced negative comparable store sales, merchandise margins for the year were up to last year.
- Victoria's Secret Stores set new fourth quarter and full year records in operating income dollars, on an increase in sales of almost $200 million for the year.
- Abercrombie & Fitch Co. set new records for merchandise margin rate and profitability for the fourth quarter and year, increasing their earnings contribution over last year.
- Structure produced a 20% increase in earnings for the year in spite of a disappointing fourth quarter.
- Bath & Body Works produced another stellar year, more than doubling their sales while setting new records for the fourth quarter and year for merchandise margin and operating profit rate. The global potential for the brand was demonstrated by the successful opening of five stores in the United Kingdom in partnership with Next plc.

For further information about the Company's divisions including sales and operating income, see pages 22, 23, 34, 35, 42 and 43 of this Annual Report.

Financial Summary

The following summarized financial data compares 1994 to the comparable periods for 1993 and 1992:

	1994	1993	1992	% Change 1994-93	% Change 1993-92
Retail Sales (millions)	$ 6,752	$ 6,567	$ 6,153	3%	7%
Catalogue Sales (millions)	569	678	791	(16%)	(14%)
Total Net Sales (millions)	$ 7,321	$ 7,245	$ 6,944	1%	4%
Increase (Decrease) in Comparable Store Sales	(3%)	(1%)	2%		
Retail Sales Increase Attributable to New and Remodeled Stores	6%	8%	12%		
Retail Sales per Average Selling Square Foot	$ 270	$ 278	$ 285	(3%)	(2%)
Retail Sales per Average Store (thousands)	$ 1,423	$ 1,452	$ 1,428	(2%)	2%
Average Store Size at End of Year (square feet)	5,265	5,284	5,167	–	2%
Retail Selling Square Feet (thousands)	25,627	24,426	22,863	5%	7%
Number of Stores: Beginning of Year	4,623	4,425	4,194		
Opened	358	322	323		
Closed	(114)	(124)	(92)		
End of Year	4,867	4,623	4,425		

Net Sales

Fourth quarter 1994 sales as compared to 1993 increased 5% to $2.539 billion due to a 9% increase in sales attributable to new and remodeled stores. Fourth quarter 1993 sales of $2.421 billion were flat to 1992 due to the sale of a 60% interest in the Brylane division on August 30, 1993. Excluding Brylane sales from 1992, fourth quarter sales in 1993 would have increased 4% due to an 8% increase in sales attributable to new and remodeled stores.

The 1994 retail sales increase is attributable to the net addition of new and remodeled stores, which was partially offset by a 3% decline in comparable store sales. The Company added 358 new stores in 1994, remodeled 226 stores and closed 114 stores for a net addition of 244 stores and in excess of 1.2 million square feet of new retail selling space. Consistent with the comparable store sales decline, average sales productivity declined slightly to $270 per square foot.

Catalogue sales decreased 16% in 1994 as compared to 1993 due to Brylane sales being included in the first and second quarters of 1993 prior to its sale in August 1993. Had last year's catalogue sales excluded Brylane, catalogue sales would have increased 30%, due to a significant increase in the number of books mailed, although the average sales demand per book decreased slightly.

Retail sales increased 7% during 1993, reflecting the additional volume from new and remodeled stores. The Company added 322 new stores in 1993, remodeled 239 stores and closed 124 stores for a net addition of 198 stores and in excess of 1.5 million square feet of new retail selling space. However, average sales productivity declined slightly to $278 per square foot.

Catalogue sales decreased 14% in 1993, due to Brylane sales being included in the third and fourth quarters of 1992. Had 1992's catalogue sales excluded Brylane, catalogue sales would have increased 19% during 1993 as the number of books mailed during the year increased while the average sales demand per book decreased slightly.

Gross Income

Gross income increased as a percentage of sales to 32.8% for the fourth quarter of 1994 from 29.1% for the same period in 1993. Merchandise margins, expressed as a percentage of sales, increased 4.4%, as the Company continued to be less price promotional than a year earlier. However, the merchandise margin increase was partially offset by increased buying and occupancy costs, which rose .7% as a percentage of sales, primarily due to the lower sales productivity associated with an 11% decrease in women's apparel comparable store sales.

Gross income decreased as a percentage of sales to 29.1% for the fourth quarter of 1993 from 32.2% for the same period in 1992. Merchandise margins, expressed as a percentage of sales, decreased 1.4% reflecting a higher level of promotional activity (particularly in the women's apparel businesses) to liquidate seasonal inventories. In addition, buying and occupancy costs, expressed as a percentage of sales, increased 1.6% primarily as a result of lower sales productivity associated with several of the Company's women's apparel businesses.

The 1994 gross income rate of 28.9% was 1.9% above the rate for 1993. Merchandise margins, expressed as a percentage of sales, increased 3.0%, due to the Company's less promotional pricing strategy. However, the merchandise margin increase was partially offset by increased buying and occupancy costs, which rose 1.2% as a percentage of sales, primarily due to the lower sales productivity associated with a 9% decrease in women's apparel comparable store sales.

The 1993 gross income rate of 27.0% was 1.7% below the rate for 1992. Merchandise margins, expressed as a percentage of sales, decreased .4% reflecting higher promotional activity, notably in the fourth quarter. Buying and occupancy costs were not sufficiently leveraged (particularly at the Company's women's apparel businesses) and as a result, these costs increased approximately 1.2%, expressed as a percentage of sales.

General, Administrative and Store Operating Expenses

General, administrative and store operating expenses, expressed as a percentage of sales, increased to 15.4% in the fourth quarter of 1994 from 15.1% in the same period of 1993, principally due to lower sales productivity. Sales productivity, which is initially lower in new and remodeled stores, was also lower in existing stores. The Company continued to maintain its high level of customer service despite negative comparable store sales, particularly at the women's apparel businesses where comparable store sales were down 11%.

These costs, expressed as a percentage of sales, were 18.0%, 17.4% and 17.3% for fiscal years 1994, 1993 and 1992. The increases in 1994 and 1993 were due to the lower sales productivity at both existing stores and new and remodeled stores. The Company expects to continue its policy of maintaining a high level of customer service.

Special and Nonrecurring Items

As more fully described in Note 2 to the Consolidated Financial Statements, the Company announced during 1993 the sale of a 60% interest in its Brylane division for $285 million in cash. This transaction was part of a program aimed at accelerating the growth of the retail businesses, which included the acceleration of the store remodeling, downsizing and closing program at the Limited Stores and Lerner divisions, and the refocusing of the merchandising strategy at the Henri Bendel division. The net pre-tax gain from these special and nonrecurring items was $2.6 million. The impact of these items on future operating results is anticipated to be immaterial. In the near term, the Company's reduced share of Brylane's operating income is expected to be offset by improved sales productivity and reduced depreciation and amortization costs.

The Company also announced a program to repurchase up to $500 million of the Company's common stock over time as market conditions warrant. As of the end of fiscal year 1994, the Company had repurchased 5.9 million shares at a cost of $104.7 million. Market conditions will dictate any future purchases.

Interest Expense

	Fourth Quarter		Year-to-Date		
	1994	1993	1994	1993	1992
Average Daily Borrowings (in millions)	$996.7	$848.2	$785.0	$822.5	$1,046.3
Average Effective Interest Rate	7.84%	7.62%	8.33%	7.76%	5.96%

Interest expense increased in the fourth quarter and for all 1994 as compared to the comparable periods in 1993. Higher interest rates increased costs approximately $.6 million and $4.4 million during the fourth quarter and for all of 1994. Higher borrowing levels during the fourth quarter increased costs by $2.8 million. For the year, lower borrowing levels resulted in lower interest costs of approximately $2.9 million as compared to 1993, which partially offset the effective interest rate increase.

Operating Income

Operating income, as a percentage of sales, was 10.9%, 9.6% and 11.4% for fiscal years 1994, 1993 and 1992. The increase in operating income in 1994 was primarily due to higher merchandise margins, partially offset by higher buying and occupancy costs and higher general, administrative and store operating expenses.

Gain on Issuance of United Retail Group, Inc. Stock

The 1992 results include a $9 million pre-tax gain which resulted from the March 1992 initial public offering of United Retail Group, Inc. (URGI), a specialty retailer of large-size woman's apparel. URGI sold approximately 3.7 million shares of common stock at $15 per share and received total consideration of approximately $55.6 million. Prior to the initial public offering, the Company owned approximately a 33% equity interest; subsequent to the initial public offering, the Company's ownership was diluted to approximately 20%. See Note 1 to the Consolidated Financial Statements for further discussion of this matter.

Acquisitions

Gryphon Development, L.P. (Gryphon) creates, develops and manufactures most of the bath and personal care products sold by the Company. Prior to April 10, 1992, the Company owned approximately 65% of Gryphon. Effective April 10, 1992, the Company acquired the remaining 35% of Gryphon for approximately $60 million and separately entered into a non-compete agreement with certain of the former Gryphon partners in return for warrants to purchase 1.5 million shares of the Company's common stock.

Financial Condition

The Company's balance sheet at January 28, 1995 provides continuing evidence of financial strength and flexibility. The Company's debt-to-equity ratio declined to only 23.5% at the end of 1994, the current ratio reached a record 3.2 and working capital was in excess of $1.75 billion. A more detailed discussion of liquidity, capital resources and capital requirements follows:

Liquidity and Capital Resources

Cash provided from operating activities, commercial paper backed by funds available under committed long-term credit agreements, and the Company's capital structure continue to provide the resources to support operations, including projected growth, seasonal requirements and capital expenditures. A summary of the Company's working capital position and capitalization follows (thousands):

	1994	1993	1992
Cash Provided by Operating Activities	$ 361,078	$ 448,139	$ 754,128
Working Capital	$1,750,111	$1,513,181	$1,063,352
Capitalization:			
Long-Term Debt	$ 650,000	$ 650,000	$ 541,639
Deferred Income Taxes	306,139	275,101	274,844
Shareholders' Equity	2,760,956	2,441,293	2,267,617
Total Capitalization	$3,717,095	$3,366,394	$3,084,100
Additional Amounts Available Under Long-Term Credit Agreements	$ 840,000	$ 840,000	$ 811,000

The Company considers the following to be several measures of liquidity and capital resources:

	1994	1993	1992
Debt-to-Equity Ratio (Long-Term Debt Divided by Shareholders' Equity)	24%	27%	24%
Debt-to-Capitalization Ratio (Long-Term Debt Divided by Total Capitalization)	17%	19%	18%
Interest Coverage Ratio (Income Before Interest Expense, Depreciation, Amortization and Income Taxes Divided by Interest Expense)	16x	15x	17x
Cash Flow to Capital Investment (Net Cash Provided by Operating Activities Divided by Capital Expenditures)	113%	151%	176%

Net cash provided by operating activities totaled $361.1 million, $448.1 million and $754.1 million for 1994, 1993 and 1992 and continued to serve as the Company's primary source of liquidity. Cash requirements for accounts receivable increased $235 million in 1994 and $220 million in 1993 due to the continued growth in the number of proprietary credit card holders at the Company's various divisions. Cash requirements for inventories and accounts payable and accrued expenses have tended to fluctuate during the three-year period based on sales volumes and inventory management practices. An increase in income taxes payable in 1994 resulted in an additional $30 million in cash as compared to 1993 due to the timing of tax payments associated with the fourth quarter earnings increase. Cash requirements for other assets and liabilities related primarily to a deposit made to the Internal Revenue Service in 1994 in connection with an assessment for additional taxes and interest for 1989 and 1990 which is discussed further in Note 7 to the Consolidated Financial Statements.

Investing activities included capital expenditures, primarily for new and remodeled stores, the 1993 sale of 60% of the Company's interest in Brylane, and the 1992 acquisition of Gryphon.

Financing activities included the repurchase of $11.4 million and $93.3 million of the Company's common stock in 1994 and 1993, which represented approximately .6 million and 5.3 million shares. Cash dividends paid in 1993 increased 25% from 1992. Cash dividends paid in 1994 remained consistent with 1993 at $.36 per share.

At January 28, 1995, the Company had available $840 million under its long-term credit agreements. In addition, the Company has the ability to offer up to $250 million of additional debt securities and warrants to purchase debt securities under its shelf registration statement authorization.

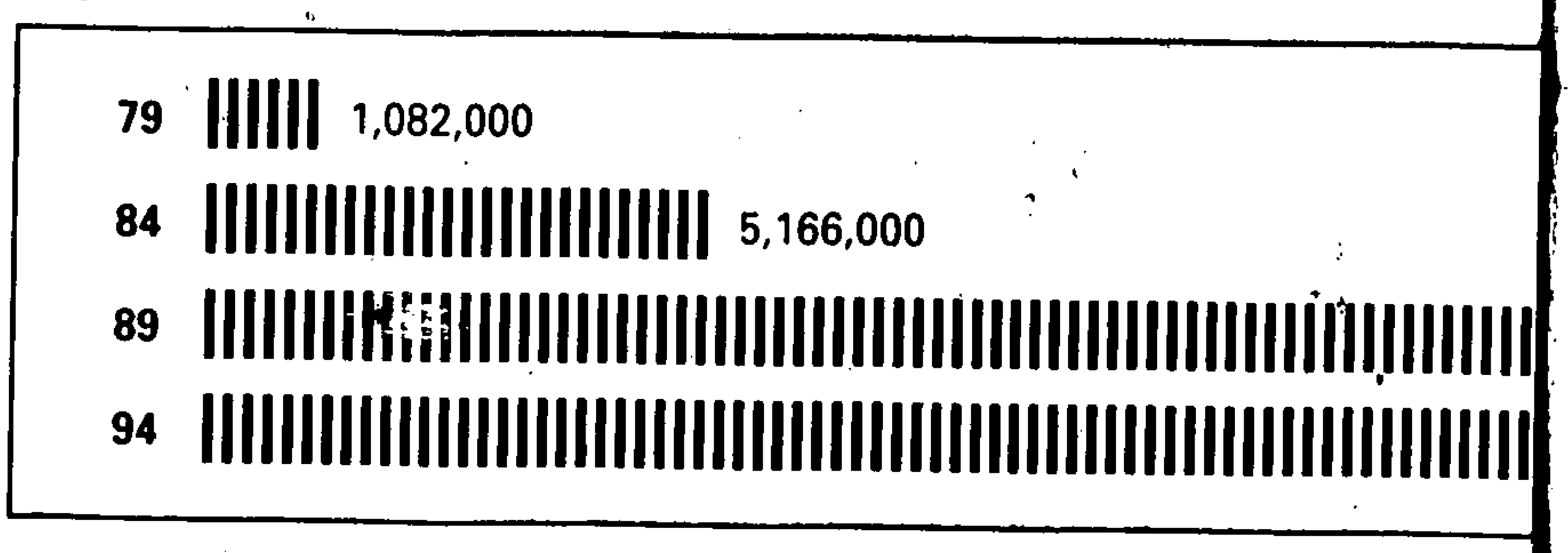
Capital Expenditures

Capital expenditures amounted to $319.7 million, $295.8 million and $429.5 million in 1994, 1993 and 1992, respectively, of which $201.2 million, $198.1 million and $258.2 million was for new stores and remodeling and expanding existing stores. The Company expended $10.7 million in 1994 for a catalogue telemarketing center in Kettering, Ohio to expand Victoria's Secret Catalogue operations. Approximately $29 million was expended in 1992 for the completion of Victoria's Secret Catalogue's fulfillment center and office facility in Columbus, Ohio. In addition, office facilities previously committed under a long-term lease were acquired in 1992 for approximately $101 million.

The Company anticipates spending $325–$375 million for capital expenditures in 1995, of which $230–$270 million will be for new stores, the remodeling of existing stores and related improvements for the retail businesses. The Company expects that substantially all 1995 capital expenditures will be funded by net cash provided by operating activities.

The Company has announced its intention to add approximately 1.6 million selling square feet in 1995 which will represent a 6% increase over year-end 1994. It is anticipated the increase will result from the net addition of approximately 465 new stores and the remodeling of approximately 225 stores. A summary of stores and selling square feet by division for 1993 and 1994 and goals for 1995 follow:

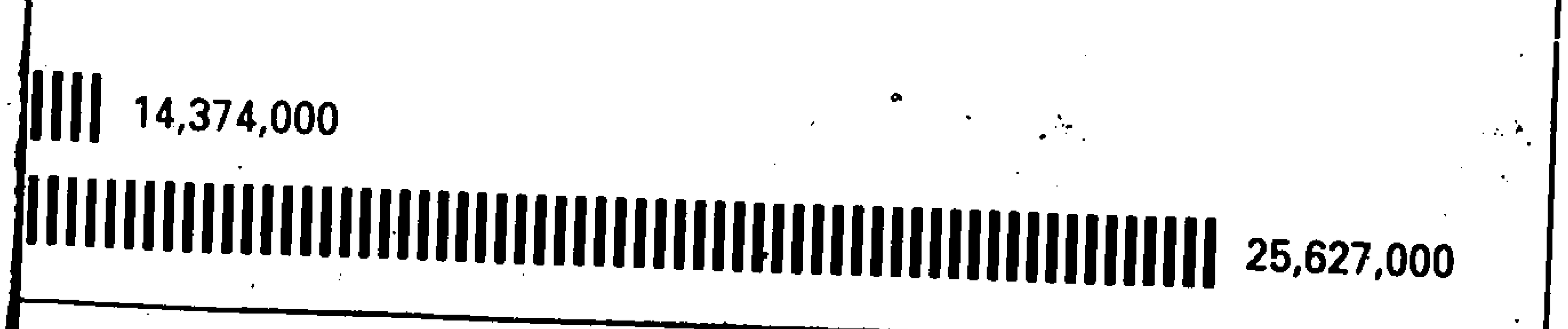
Selling Square Feet



	Goal-1995	1994	1993	Change from 1995-94	Change from 1994-93
Express					
Stores	745	716	673	29	43
Selling Sq. Ft.	4,613,000	4,357,000	3,902,000	256,000	455,000
Lerner New York					
Stores	838	846	877	(8)	(31)
Selling Sq. Ft.	6,396,000	6,580,000	6,802,000	(184,000)	(222,000)
Lane Bryant					
Stores	826	812	817	14	(5)
Selling Sq. Ft.	3,936,000	3,859,000	3,852,000	77,000	7,000
The Limited					
Stores	708	709	746	(1)	(37)
Selling Sq. Ft.	4,284,000	4,358,000	4,482,000	(74,000)	(124,000)
Henri Bendel					
Stores	4	4	4	0	0
Selling Sq. Ft	88,000	93,000	93,000	(5,000)	0
Victoria's Secret Stores					
Stores	667	601	570	66	31
Selling Sq Ft	2,966,000	2,586,000	2,346,000	380,000	240,000
Cacique					
Stores	120	114	108	6	6
Selling Sq. Ft.	364,000	342,000	318,000	22,000	24,000
Structure					
Stores	514	466	394	48	72
Selling Sq Ft	1,985,000	1,755,000	1,409,000	230,000	346,000
Abercrombie & Fitch Co.					
Stores	102	67	49	35	18
Selling Sq. Ft.	808,000	541,000	405,000	267,000	136,000
Bath & Body Works					
Stores	518	318	194	200	124
Selling Sq. Ft.	881,000	489,000	248,000	392,000	241,000
Penhaligon's					
Stores	4	4	7	0	(3)
Selling Sq. Ft.	2,000	2,000	3,000	0	(1,000)
The Limited Too					
Stores	288	210	184	78	26
Selling Sq. Ft.	907,000	665,000	566,000	242,000	99,000
Total Retail Divisions					
Stores	5,334	4,867	4,623	467	244
Selling Sq. Ft.	27,230,000	25,627,000	24,426,000	1,603,000	1,201,000

Impact of Inflation

The Company's results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes that the effects of inflation, if any, on the results of operations and financial condition have been minor.

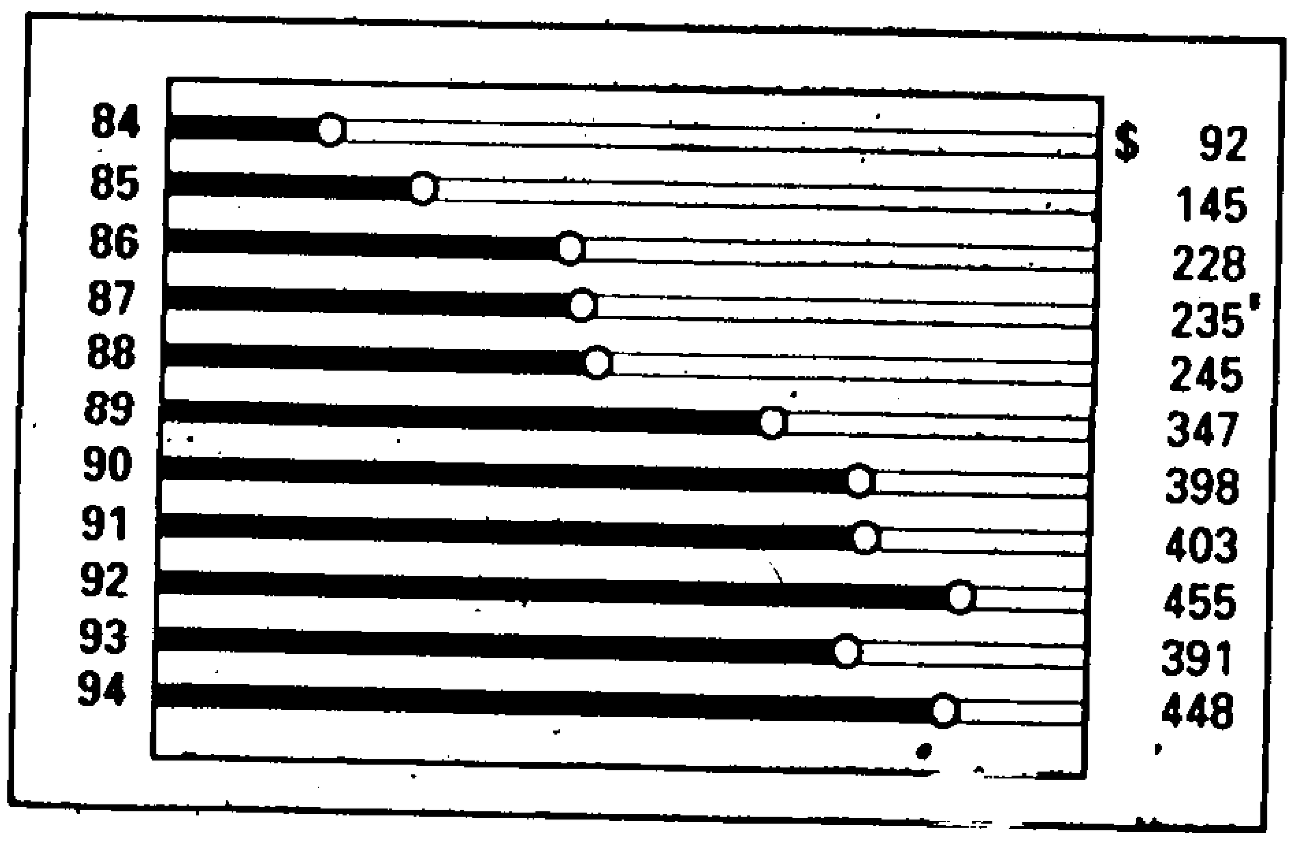


Consolidated Statements of Income

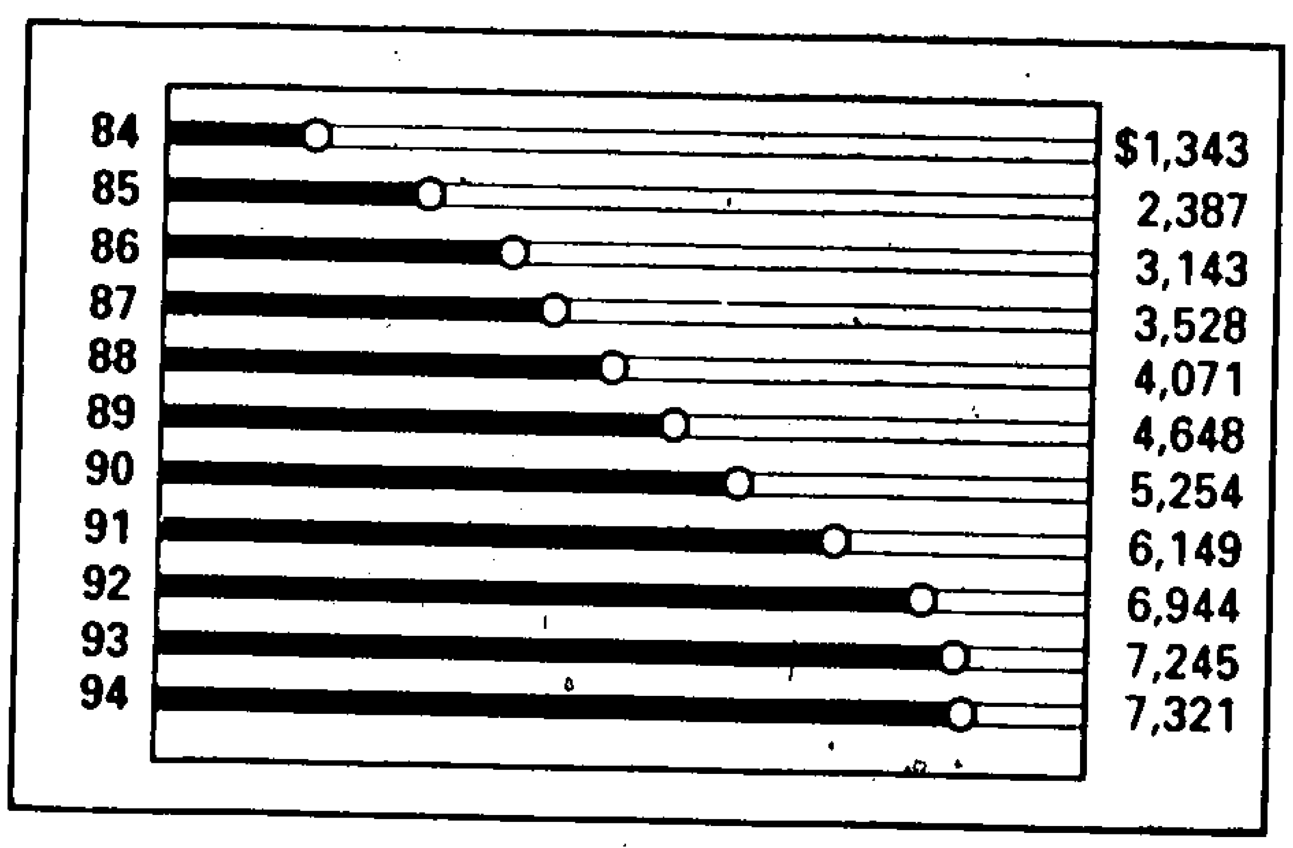
(Thousands except per share amounts)

	1994	1993	1992
Net Sales	$ 7,320,792	$ 7,245,088	$ 6,944,296
Costs of Goods Sold, Occupancy and Buying Costs	(5,206,429)	(5,286,253)	(4,953,556)
Gross Income	2,114,363	1,958,835	1,990,740
General, Administrative and Store Operating Expenses	(1,315,374)	(1,259,896)	(1,202,042)
Special and Nonrecurring Items, Net	–	2,617	–
Operating Income	798,989	701,556	788,698
Interest Expense	(65,381)	(63,865)	(62,398)
Other Income, Net	10,735	7,308	10,080
Gain on Issuance of United Retail Group Stock	–	–	9,117
Income Before Income Taxes	744,343	644,999	745,497
Provision for Income Taxes	296,000	254,000	290,000
Net Income	$ 448,343	$ 390,999	$ 455,497
Net Income Per Share	$ 1.25	$ 1.08	$ 1.25

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Net Income
(Millions)
CAGR 17%
(Compound Annual Growth Rate, last ten years)



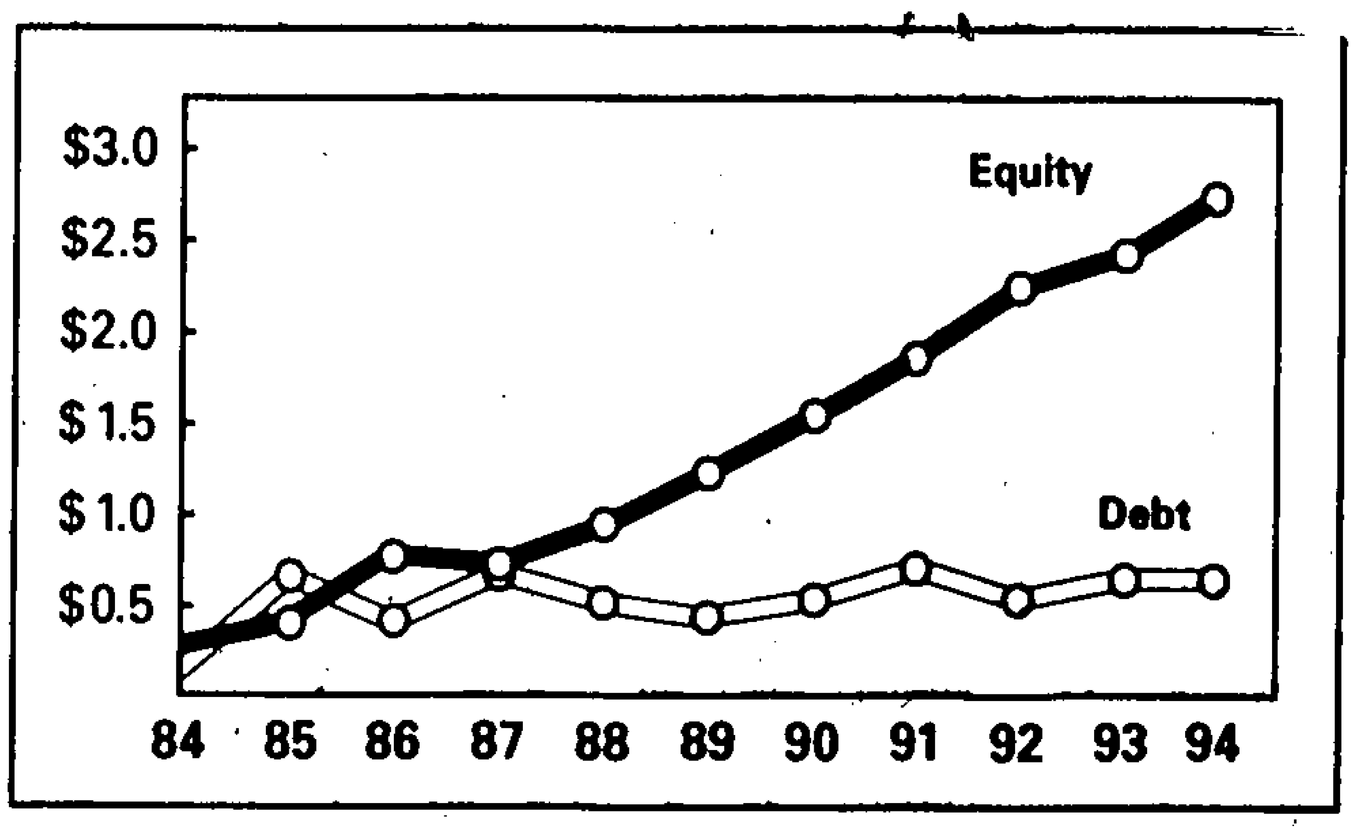
Net Sales
(Millions)
CAGR 18%

Consolidated Balance Sheets

(Thousands)

Assets	Jan. 28, 1995	Jan. 29, 1994
Current Assets		
Cash and Equivalents	$ 242,780	$ 320,558
Accounts Receivable	1,292,399	1,056,911
Inventories	870,440	733,700
Other	142,047	109,456
Total Current Assets	2,547,666	2,220,625
Property and Equipment, Net	1,692,145	1,666,588
Other Assets	330,266	247,892
Total Assets	$4,570,077	$4,135,105
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	$ 275,303	$ 250,363
Accrued Expenses	372,676	347,892
Certificates of Deposit	25,200	15,700
Income Taxes	124,376	93,489
Total Current Liabilities	797,555	707,444
Long-Term Debt	650,000	650,000
Deferred Income Taxes	306,139	275,101
Other Long-Term Liabilities	55,427	61,267
Shareholders' Equity		
Common Stock	189,727	189,727
Paid-In Capital	132,938	128,906
Retained Earnings	2,716,516	2,397,112
	3,039,181	2,715,745
Less: Treasury Stock, at Cost	(278,225)	(274,452)
Total Shareholders' Equity	2,760,956	2,441,293
Total Liabilities and Shareholders' Equity	$4,570,077	$4,135,105

The accompanying Notes are an integral part of these Consolidated Financial Statements.



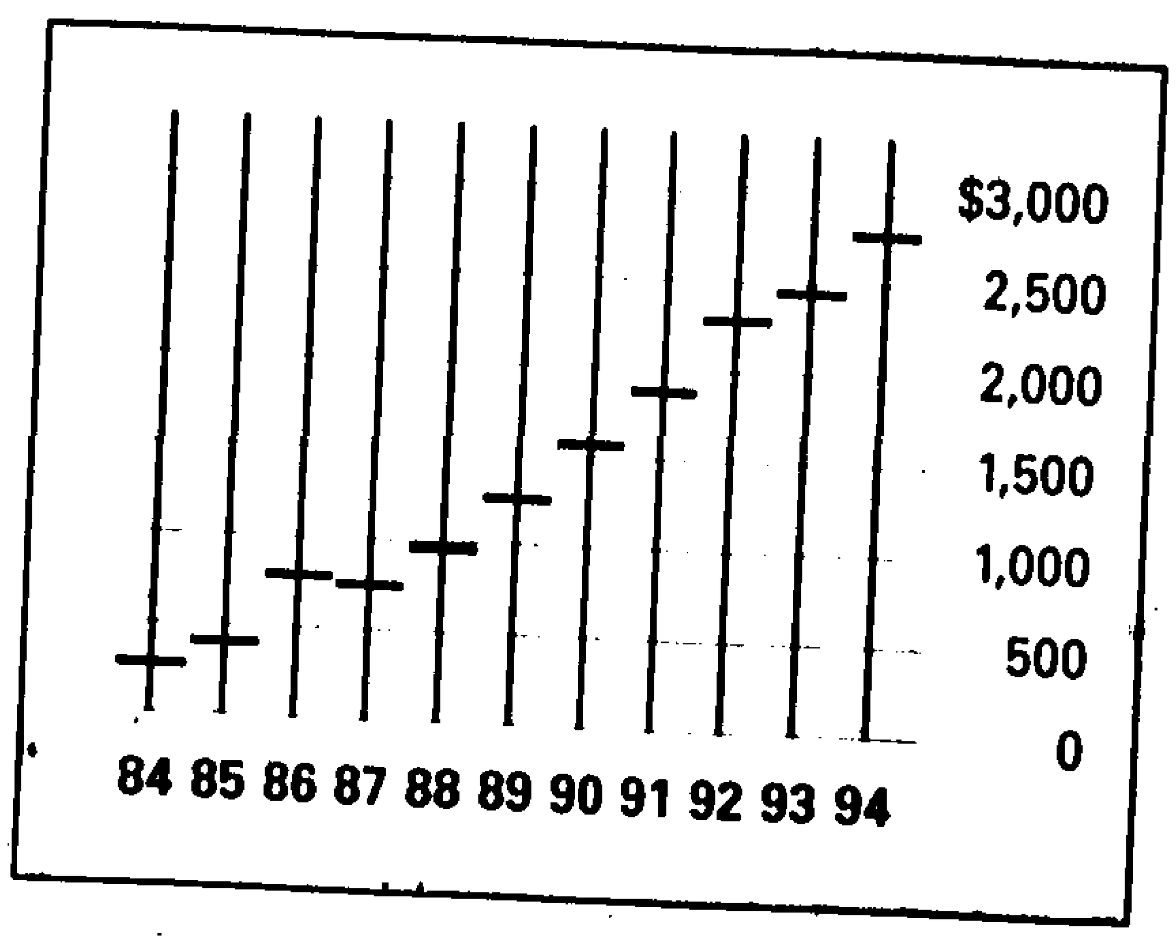
Equity and Debt
(Billions)

Consolidated Statements of Shareholders'

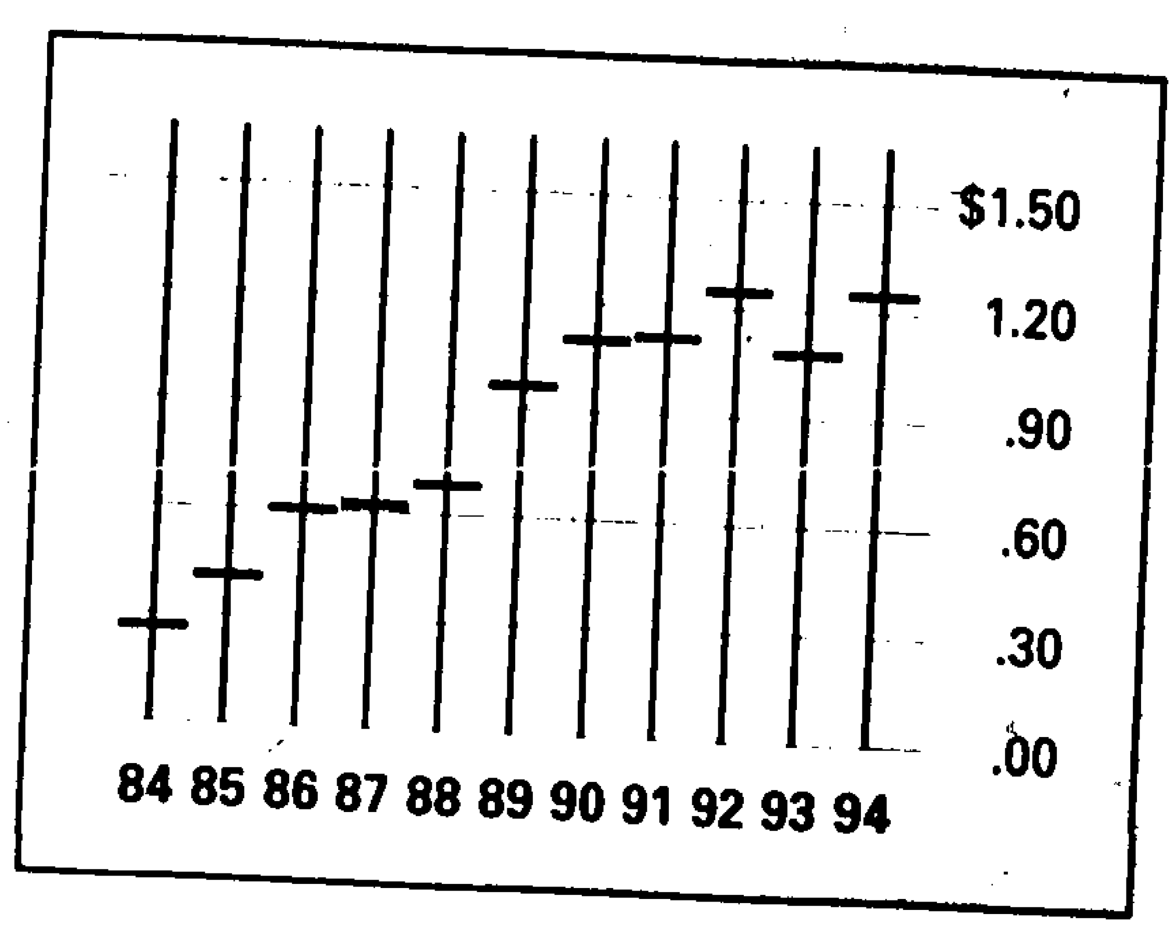
(Thousands)

	Common Stock	
	Shares Outstanding	Par Value
Balance, February 1, 1992	361,786	$189,727
Net Income	–	–
Cash Dividends	–	–
Exercise of Stock Options and Other	862	–
Warrants Issued for Acquisition	–	–
Balance, January 30, 1993	362,648	$189,727
Net Income	–	–
Cash Dividends	–	–
Purchase of Treasury Stock	(5,288)	–
Exercise of Stock Options and Other	441	–
Balance, January 29, 1994	357,801	$189,727
Net Income	–	–
Cash Dividends	–	–
Purchase of Treasury Stock	(629)	–
Exercise of Stock Options and Other	432	–
Balance, January 28, 1995	357,604	$189,727

The accompanying Notes are an integral part of these Consolidated Financial Statements.



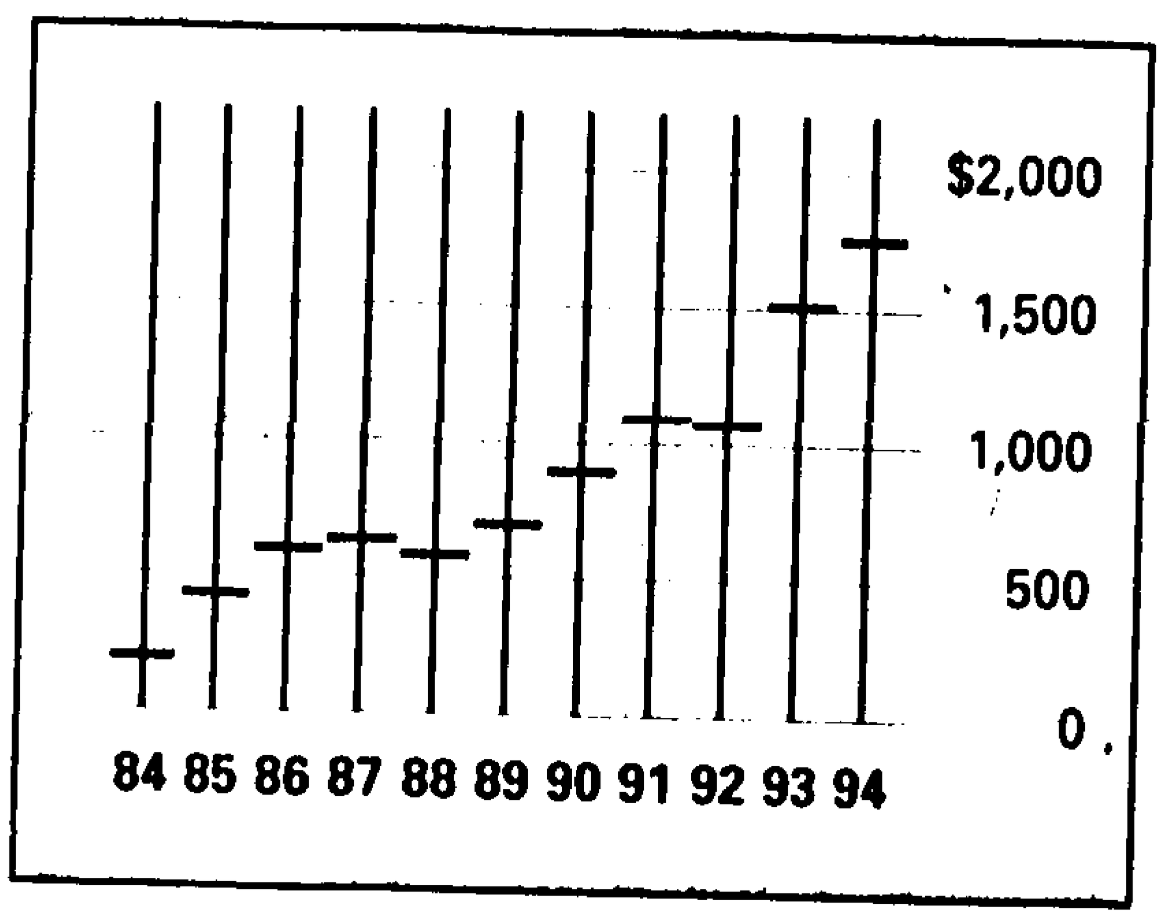
Shareholders' Equity
(Millions) CAGR 26%



Net Income per Share
CAGR 17%

Equity

Paid-In Capital	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
$100,929	$1,783,027	$(196,891)	$1,876,792
–	455,497	–	455,497
–	(101,730)	–	(101,730)
6,598	–	10,211	16,809
20,249	–	–	20,249
$127,776	$2,136,794	$(186,680)	$2,267,617
–	390,999	–	390,999
–	(130,681)	–	(130,681)
–	–	(93,328)	(93,328)
1,130	–	5,556	6,686
$128,906	$2,397,112	$(274,452)	$2,441,293
–	448,343	–	448,343
–	(128,939)	–	(128,939)
–	–	(11,382)	(11,382)
4,032	–	7,609	11,641
$132,938	$2,716,516	$(278,225)	$2,760,956



Working Capital
(Millions)

Consolidated Statements of Cash Flows

(Thousands)

	1994	1993	1992
Cash Flows from Operating Activities			
Net Income	$ 448,343	$ 390,999	$ 455,497
Impact of Other Operating Activities on Cash Flows			
Depreciation and Amortization	267,888	271,353	246,977
Special and Nonrecurring Items	–	(2,617)	–
Change in Assets and Liabilities			
Accounts Receivable	(235,488)	(219,534)	(101,545)
Inventories	(136,740)	70,006	(73,657)
Accounts Payable and Accrued Expenses	49,724	14,943	118,289
Income Taxes	30,887	20,773	82,369
Other Assets and Liabilities	(63,536)	(97,784)	26,198
Net Cash Provided by Operating Activities	361,078	448,139	754,128
Investing Activities			
Capital Expenditures	(319,676)	(295,804)	(429,545)
Businesses Acquired	–	–	(60,043)
Proceeds from Sale of Business	–	285,000	–
Tax Effect of Gain on Sale of Business	–	(64,750)	–
Cash Used for Investing Activities	(319,676)	(75,554)	(489,588)
Financing Activities			
Net Proceeds (Repayments) of Commercial Paper Borrowings and Certificates of Deposit	9,500	(25,939)	(322,119)
Repayments of Long-Term Debt	–	(100,000)	–
Proceeds from Issuance of Unsecured Notes	–	250,000	150,000
Dividends Paid	(128,939)	(130,681)	(101,730)
Purchase of Treasury Stock	(11,382)	(93,328)	–
Stock Options and Other	11,641	6,686	16,809
Net Cash Used for Financing Activities	(119,180)	(93,262)	(257,040)
Net Increase (Decrease) in Cash and Equivalents	(77,778)	279,323	7,500
Cash and Equivalents, Beginning of Year	320,558	41,235	33,735
Cash and Equivalents, End of Year	$ 242,780	$ 320,558	$ 41,235

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of The Limited, Inc. (the Company) and all significant subsidiaries which are more than 50% owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in other entities (including joint ventures) which are more than 20% owned are accounted for on the equity method.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal years 1994, 1993 and 1992 represent the 52-week periods ended January 28, 1995, January 29, 1994 and January 30, 1993.

Cash and Equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with maturities of less than 90 days.

Inventories

Inventories are principally valued at the lower of average cost or market, on a first-in first-out basis, utilizing the retail method.

Property and Equipment

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10–30 years for buildings and improvements and 3–10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments which extend service lives are capitalized.

Goodwill Amortization

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized on a straight-line basis principally over 30 years.

Interest Rate Swap Agreements

The difference between the amount of interest to be paid and the amount of interest to be received under interest rate swap agreements due to changing interest rates is charged or credited to interest expense over the life of the swap agreement. Gains and losses from the disposition of swap agreements are deferred and amortized over the term of the related agreements.

Income Taxes

Effective January 31, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes." SFAS 109 requires a change from the deferred method of accounting for income taxes to the liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse. Under SFAS 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Under the deferred method, which was applied in 1992 and prior years, deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable for the year of calculation. Under the deferred method, deferred taxes are not adjusted for subsequent changes in tax rates.

■ **Shareholders' Equity**

Five hundred million shares of $.50 par value common stock are authorized, of which 357.6 million and 357.8 million were outstanding, net of 21.8 million shares and 21.7 million shares held in treasury at January 28, 1995 and January 29, 1994. Ten million shares of $1.00 par value preferred stock are authorized, none of which have been issued.

■ **Net Income Per Share**

Net income per share is computed based upon the weighted average number of outstanding common shares, including the effect of stock options. There were 358.6 million, 363.2 million and 363.7 million weighted average outstanding shares for 1994, 1993 and 1992.

■ **Issuance of Subsidiary Stock**

Gains or losses resulting from stock issued by a subsidiary of the Company are recognized in current year's income. In 1992, the Company recognized a $9 million pre-tax gain which resulted from the March 1992 initial public offering of the United Retail Group, Inc. A more detailed discussion of this matter is included under the heading "Gain on Issuance of United Retail Group, Inc. Stock" in Management's Discussion and Analysis on page 63 of this Annual Report.

2 Special and Nonrecurring Items

During the third quarter of 1993, the Company approved a plan which includes the following components: the sale of a 60% interest in the Brylane mail order business; the acceleration of the store remodeling, downsizing and closing program at the Limited Stores and Lerner divisions; and the refocusing of the merchandise strategy at the Henri Bendel division. The net pre-tax gain from these special and nonrecurring items was $2.6 million.

The remodeling, downsizing and closing program includes approximately 360 Limited and Lerner stores and is expected to be completed by the end of 1995. The Company had closed approximately 80 of these stores and remodeled approximately 200 of these stores as of January 28, 1995. The charge for these actions totaled approximately $200 million. Costs remaining to be incurred related to this program are approximately $14 million at January 28, 1995.

The net impact of the plan on operating results is anticipated to be immaterial.

A further discussion of this matter is included under the heading "Special and Nonrecurring Items" in Management's Discussion and Analysis on page 62 of this Annual Report.

3 Accounts Receivable

Accounts receivable consisted of (Thousands):

	1994	1993
Deferred Payment Accounts	$1,250,636	$1,013,276
Trade and Other	86,709	78,532
Allowance for Uncollectible Accounts	(44,946)	(34,897)
	$1,292,399	$1,056,911

Finance charge revenue on the deferred payment accounts amounted to $223.9 million, $174.5 million and $141.8 million in 1994, 1993 and 1992, and the provision for uncollectible accounts amounted to $72.7 million, $50.8 million and $40.0 million in 1994, 1993 and 1992. These amounts are classified as components of the cost to administer the deferred payment program and are included in general, administrative and store operating expenses.

4 Property and Equipment

Property and equipment, at cost, consisted of (Thousands):

	1994	1993
Land, Buildings and Improvements	$ 510,563	$ 510,998
Furniture, Fixtures and Equipment	1,714,587	1,571,568
Leaseholds and Improvements	515,226	506,258
Construction in Progress	58,039	49,373
	2,798,415	2,638,197
Less: Accumulated Depreciation and Amortization	1,106,270	971,609
Property and Equipment, Net	$ 1,692,145	$1,666,588

5 Leased Facilities and Commitments

Annual store rent is comprised of a fixed minimum amount, plus contingent rent based upon a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses.

A summary of rent expense for 1994, 1993 and 1992 follows (Thousands):

Store Rent:	1994	1993	1992
Fixed Minimum	$586,437	$540,381	$498,607
Contingent	17,522	19,727	19,043
Total Store Rent	603,959	560,108	517,650
Equipment and Other	27,710	31,897	37,228
Total Rent Expense	$631,669	$592,005	$554,878

At January 28, 1995, the Company was committed to noncancelable leases with remaining terms of one to forty years. A substantial portion of these commitments are store leases with initial terms ranging from ten to twenty years. Accrued rent expense was $116.5 million and $99.1 million at January 28, 1995 and January 29, 1994.

A summary of minimum rent commitments under noncancelable leases follows (Thousands):

1995	$ 617,645
1996	606,120
1997	587,825
1998	565,999
1999	539,742
Thereafter	$2,802,487

6 Long-Term Debt

Long-term debt consisted of (Thousands):

	1994	1993
7½% Debentures Due March 2023	$250,000	$250,000
7¼% Notes Due May 2002	150,000	150,000
9¼% Notes Due February 2001	150,000	150,000
8¼% Notes Due August 1999	100,000	100,000
	$650,000	$650,000

The Company maintains two revolving credit agreements (the "Agreements") totaling $840 million. One Agreement provides the Company available borrowings of up to $490 million. The other Agreement provides World Financial Network National Bank, a wholly owned consolidated subsidiary, available borrowings of up to $[illegible] million. [illegible] under the Agreements are due December 4, [illegible]. However, [illegible] of each of the Agreements may be extended an additional two years [illegible] by the Company at least 60 days prior to December 4, [illegible] [illegible] basis. Both Agreements have similar borrowing options, including [illegible] which are based on either the lender's "Base Rate," as defined, LIBOR [illegible] based options or a rate submitted under a bidding process. Aggregate commitment and facility fees for the Agreements approximate 0.11% of the total commitment. Both Agreements place restrictions on the amount of the Company's working capital, debt and net worth. No amounts were outstanding under the Agreements at January 28, 1995.

The Agreements support the Company's commercial paper program which is used from time to time to fund working capital and other general corporate requirements. No commercial paper was outstanding at January 28, 1995.

Up to $250 million of debt securities and warrants to purchase debt securities may be issued under the Company's shelf registration statement.

All long-term debt outstanding at January 28, 1995 and January 29, 1994 is unsecured.

The Company periodically enters into interest rate swap agreements with the intent to manage interest rate exposure. At January 28, 1995, the Company had three interest rate swap positions outstanding, each having a $100 million notional principal amount. One contract effectively changed the Company's interest rate exposure on $100 million of variable rate debt to a fixed rate of 8.09% through July 2000. The counterparty to the swap contract has an option to cancel the remaining term of the contract in July 1995. The remaining two contracts effectively change the interest rate on $200 million of fixed rate debt to a variable rate. These contracts expire in November 1995 and February 1996.

No long-term debt matures in years 1995–1998; $100 million matures in 1999. Interest paid approximated $64.7 million, $57.4 million and $60.0 million in 1994, 1993 and 1992.

7 Income Taxes

The Company adopted SFAS No. 109 effective January 31, 1993. No cumulative effect adjustment was required for the adoption as the difference in deferred income taxes under SFAS 109 and APB Opinion 11 was immaterial. The impact on the year of adoption was also immaterial.

The provision for income taxes consisted of (Thousands):

Currently Payable:	**1994**	**1993**	**1992**
Federal	**$231,000**	$249,400	$174,900
State	**32,000**	35,100	28,700
Foreign	**4,100**	6,400	6,400
	267,100	290,900	210,000
Deferred:			
Federal	**12,900**	(41,800)	62,700
State	**16,000**	4,900	17,300
	28,900	(36,900)	80,000
Total Provision	**$296,000**	$254,000	$290,000

The foreign component of pre-tax income, arising principally from overseas sourcing operations, was $40.9 million, $54.8 million and $58.7 million in 1994, 1993 and 1992.

A reconciliation between the statutory Federal income tax rate and the effective income tax rate follows:

	1994	1993	1992
Federal Income Tax Rate	35.0%	35.0%	34.0%
State Income Tax, Net of Federal Income Tax Effect	4.2	4.0	4.0
Other Items, Net	.6	.4	.9
	39.8%	39.4%	38.9%

Income taxes payable included current deferred tax assets of $44.5 million and $41.1 million at January 28, 1995 and January 29, 1994. The effect of temporary differences which give rise to deferred income tax balances was as follows (Thousands):

	1994			1993		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Excess of Tax Over Book Depreciation	–	$(156,208)	$(156,208)	–	$(123,539)	$(123,539)
Undistributed Earnings of Foreign Affiliate	–	(109,350)	(109,350)	–	(103,485)	(103,485)
Investment in Affiliate	–	(28,056)	(28,056)	–	(39,171)	(39,171)
State Income Taxes	$12,595	–	12,595	$ 8,681	–	8,681
Bad Debt Reserve	18,678	–	18,678	11,022	–	11,022
Special and Nonrecurring	18,912	–	18,912	25,092	–	25,092
Other	30,170	(48,385)	(18,215)	23,163	(35,735)	(12,572)
Total Deferred Income Taxes	$80,355	$(341,999)	$(261,644)	$67,958	$(301,930)	$(233,972)

For the year 1992, deferred income tax expense resulted from timing differences in the recognition of income and expense. The components of the deferred tax provision follow (Thousands):

	1992
Excess of Tax Over Book Depreciation	$45,400
Other Items, Net	34,600
	$80,000

Income tax payments approximated $230.9 million, $291.3 million and $199.8 million for 1994, 1993 and 1992.

The Internal Revenue Service has assessed the Company for additional taxes and interest for 1989 and 1990. The assessment was based primarily on the treatment of transactions involving the Company's foreign operations and construction allowances. The Company strongly disagrees with the assessment and is vigorously contesting the matter. Management believes resolution of this matter will not have a material adverse effect on the Company's results of operations or financial condition.

8 Stock Options and Restricted Stock

Stock options are granted to officers and key employees based upon fair market value at the date of grant. Option activity for 1992, 1993 and 1994 follows:

		Number of Shares	Weighted Average Option Price Per Share
Outstanding Options, February 1, 1992		5,122,000	$16.49
Activity During 1992:	Granted	1,476,000	23.91
	Exercised	(772,000)	12.73
	Canceled	(312,000)	22.99
Outstanding Options, January 30, 1993		5,514,000	$18.57
Activity During 1993:	Granted	2,457,000	21.74
	Exercised	(431,000)	12.22
	Canceled	(357,000)	22.32
Outstanding Options, January 29, 1994		7,183,000	$19.87
Activity During 1994:	Granted	2,122,000	17.19
	Exercised	(393,000)	11.44
	Canceled	(498,000)	21.49
Outstanding Options, January 28, 1995		8,414,000	$19.56

The Company had approximately 2.2 million shares available for grant at January 28, 1995 as compared to 5.3 million shares available at January 29, 1994 and 7.4 million shares available at January 30, 1993. Approximately 8.4 million shares of the Company's common stock were reserved for outstanding options, of which 4.1 million were exercisable as of January 28, 1995.

In 1994 and 1993, approximately 848,000 and 590,000 restricted shares of the Company's common stock were granted to certain officers and key associates. The market value of the shares at the date of grant amounted to $16.7 million in 1994 and $12.7 million in 1993 and is recorded within treasury stock in the accompanying Consolidated Financial Statements. The market value is being amortized as compensation expense over the vesting period which ranges from four to ten years. Compensation expense of $7.3 million and $1.3 million was recorded in 1994 and 1993.

9 Retirement Benefits

The Company sponsors a defined contribution retirement plan. Participation in this plan is available to all associates who have completed 1,000 or more hours of service with the Company during certain 12 month periods and attained the age of 21. Company contributions to this plan are based on a percentage of the associates' annual compensation. The cost of this plan was $26.7 million in 1994, $25.9 million in 1993 and $20.1 million in 1992.

10 Finance Subsidiary

World Financial Network National Bank, a wholly-owned consolidated finance subsidiary, provides private label credit card lines to the customers of certain retail affiliates. Condensed financial information of the finance subsidiary follows (Thousands):

Assets	Jan. 28, 1995	Jan. 29, 1994
Credit Card Receivables, Net of Allowance for Uncollectible Accounts	$1,206,000	$ 978,500
Other Assets, Net	48,900	40,300
	$1,254,900	$1,018,800
Liabilities and Investment		
Certificates of Deposit	$ 25,200	$ 15,700
Payable to Wholly-Owned Subsidiaries and Affiliates of The Limited, Inc.	37,400	18,200
Investment of The Limited, Inc.:		
Subordinated Debt	1,095,900	902,700
Equity Investment	96,400	82,200
	$1,254,900	$1,018,800

Holders of credit cards issued by the finance subsidiary are located throughout the United States, and have various available lines of credit which are subject to change by the finance subsidiary. The credit cards are used to purchase merchandise offered for sale by affiliates.

11 Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Current Assets and Current Liabilities

The carrying value of cash equivalents, short-term borrowings, accounts payable and accrued expenses approximates fair value because of their short maturity. The carrying amount of the credit card receivables approximates fair value due to the short maturity and because the average interest rate approximates current market origination rates.

Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Interest Rate Swap Agreements

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The estimated fair values of the Company's financial instruments are as follows (Thousands):

	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt	$(650,000)	$(620,540)	$(650,000)	$(712,078)
Interest Rate Swaps	$ (886)	$ (5,970)	$ (13)	$ (13,289)

12 Quarterly Financial Data (Unaudited)

Summarized quarterly financial results for 1994 and 1993 follow (Thousands except per share amounts):

	First	Second	Third	Fourth
1994 Quarter				
Net Sales	$1,481,628	$1,585,392	$1,715,176	$2,538,596
Gross Income	384,931	402,666	495,295	831,471
Net Income	47,276	53,832	90,490	256,745
Net Income Per Share	$0.13	$0.15	$0.25	$0.72
1993 Quarter				
Net Sales	$1,518,561	$1,689,055	$1,616,667	$2,420,805
Gross Income	380,727	427,710	447,048	703,350
Net Income	44,225	68,232	82,215	196,327
Net Income Per Share	$0.12	$0.19	$0.23	$0.54

Market Price and Dividend Information

	Market Price		Cash Dividend Per Share
Fiscal Year 1994	High	Low	
4th Quarter	$21⅜	$16⅛	$.09
3rd Quarter	21⅝	17¼	.09
2nd Quarter	20	16⅞	.09
1st Quarter	$22¼	$16¾	$.09
Fiscal Year 1993			
4th Quarter	$23¼	$16⅝	$.09
3rd Quarter	24	20	.09
2nd Quarter	24⅛	19¾	.09
1st Quarter	$30	$21½	$.09

The Company's common stock is traded on the New York Stock Exchange ("LTD") and the London Stock Exchange. On January 28, 1995, there were 74,321 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company sponsored retirement plans and others holding shares in broker accounts under street name, the Company estimates the shareholder base at approximately 140,000.

Report of Independent Accountants

To the Board of Directors and Shareholders of The Limited, Inc.

We have audited the accompanying consolidated balance sheets of The Limited, Inc. and subsidiaries as of January 28, 1995 and January 29, 1994, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three fiscal years in the period ended January 28, 1995 (appearing on pages 66 through 77). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Limited, Inc. and subsidiaries as of January 28, 1995 and January 29, 1994 and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended January 28, 1995 in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.
Columbus, Ohio
February 13, 1995

The Limited, Inc. 1994 Annual Report Cast

Express

Susan Falk, President

Karen Krueger, Sue Flowers, Carla Simpson-Webb, Lou Ann Bett, Margot Peterson, Michelle Williams, Sandra Smith, Andrea Kellick, Patrick Smith, Lisa Flynn, Patty Newman, MaryJo Pile, Jill Richey

Lerner New York

Pamela McConathy, President

Barbara Hayes, Dori Ann Rodrick, Susan Olsen, Bonnie Goldberg, Bob Levin

Lane Bryant

Jill Dean, President

Ana Tacu, Joanna Mileo, Amy Caban, Dolorus McKell, Joyce Garcia, Debra Van Bramer, Victoria Henriquez, Nancy Gonzalez, Maria Anagnostopoulos, Emily Perez, Lenore Malaver, Christopher Penny

The Limited

Cheryl Nido Turpin, President

Gabrea Bender, Leigh Settineri, Maurice King, Cindy Slavik, Maria Mitchell, Bonnie Werstiuk

Henri Bendel

Ted Marlow, President

Beth Brooks, Nina Friedman, Bridget Bunn & the Marketing Team, Gail Goldberg, Ann Kothe, Doreen Minch, Dan Green & the Henri Bendel Collection Stylists and Sales Leaders, Ed Bland, David Keefe & the D.C. Team

Victoria's Secret Stores

Grace Nichols, President

Kelly Bolsinger, Gina Studebaker, Louisa Ann [illegible]

Victoria's Secret Catalogue

Cynthia Fedus, President

Lisam Hilton, Marty Humphries, Michelle Bunch, Patsy Thomas, Rosa Dubois, Shawn Shear, ~~Louise Chazen~~, Betsy Hendrickson, Laila Jones, Bob MacMichael, Cheryl Bowman, Martha Wildi

Cacique

Debbie Steiger, Cindy Spinkes, Debbie Patterson

Structure

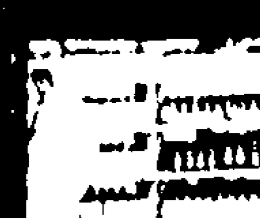
David Mangini, President

Pat McGahan, Charlotte Hicks, Amy Schilder, Christine Jones, Kerry Seal, John Landsborough - Limited Credit Services

Abercrombie & Fitch Co.

Michael Jeffries, President

W. Scott Walls, John DiBarto, Mike Stevenson, Trish Bitters, Butch [illegible]



Bath & Body Works

Beth Pritchard, President

Amy Morris, Barbara Arneklev, Cheryl Bollie, Dilu Juvarkar, Erin Elliot, Ethan [illegible], Gretchen Dupps, Kathleen Schneider, Kelly Garrett, Kelly Morris, Kim Marshall, [illegible], Melanie Pinkerton, Rick Payne, Roy Cohen, Sandy Cookerly, Shannon [illegible]

Penhaligon's

Sheila Pickles, Managing Director

Sue Phillips

The Limited Too

Susan O'Toole, President

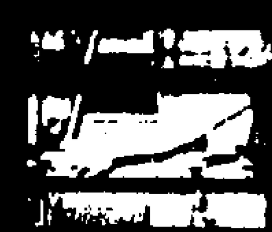
Michelle Patterson, Lili Peck, Ian Daniels, Maureen McBride, Vivian [illegible]

Mast Industries

Martin Trust, President
Liz Carter, Ed Somol • Mast Industries; Peter Allison, Kathy Boyer,
Linda Canada, Kim Hendrix • Victoria's Secret Stores

Limited Credit Services

Ralph E. Spurgin, President
Angela Eichelberger, Brandon E. Sipes, Brigid C. Neal, Dawonna Bowman, Lisa Christian,
Misti Reedy, Nayda Canales, Victor Pozos, Michele Telerski, Kathy Long, John Alatsis, Jennifer Doran



Limited Distribution Services

C. Lee Johnson, President
David Courtright, Kenneth Williams, Robert Rockhold, Scott Bruny,
Doug Patch, Jim Mann, Shawn Tedder, Mike Hittle, Marcus Johnson

Limited Real Estate

Buck Sappenfield, President
Brian Reed, Deborah Weldon, Matt Lykins, Melissa Rackley,
Jamie Bersani, Andy Lane, Greg Leopold, Doug Tilson, Jeff Sinkey, Dan Rose

Limited Store Planning

Charles W. Hinson, President
Brian Cornelius, Bruce Fithian, Charlie St. Clair, Chet Gorzelancyzk, Ching Chung,
Gilberto Albuquerque, JoAnna Rogers, Karen Lilley, Kathleen Shaw, Mark Askew,
Meg Macleod, Tony Oliver, Greg Schlegel, Shirley Schmitter, James Nauyok

Gryphon

Robert J. Ruttenberg, President
Annmarie Ieraci, Bob Bastedo, Rich LaPorta,
Bonnie O'Meal, Jerrold Smithwrick, Kristen Reynolds

Directors

Leslie H. Wexner	Chairman (••)
Kenneth B. Gilman	Vice Chairman and Chief Financial Officer
Michael A. Weiss	Vice Chairman
Bella Wexner	Secretary
Martin Trust	President: Mast Industries, Inc., Andover, Massachusetts
Eugene M. Freedman	Retired Chairman and Chief Executive Officer: Coopers & Lybrand L.L.P., US Weston, Massachusetts
E. Gordon Gee	President: The Ohio State University, Columbus, Ohio (+)
Thomas G. Hopkins	Retired Vice Chairman of the Board, Vero Beach, Florida
David T. Kollat	Chairman: 22 inc., a management consulting and marketing research firm, Worthington, Ohio
Claudine B. Malone	Financial & Management Consulting Inc., McLean, Virginia (•)
Donald B. Shackelford	Chairman of the Board: State Savings Bank, Columbus, Ohio (+) (•)
Allan R. Tessler	Chairman and Chief Executive Officer: International Financial Group, Inc., New York, New York (•) (••)
Raymond Zimmerman	Chairman of the Board: Service Merchandise Co., Inc., Brentwood, Tennessee (•)

(+) Member of Compensation Committee
(•) Member of Audit Committee
(••) Member of Nominating Committee

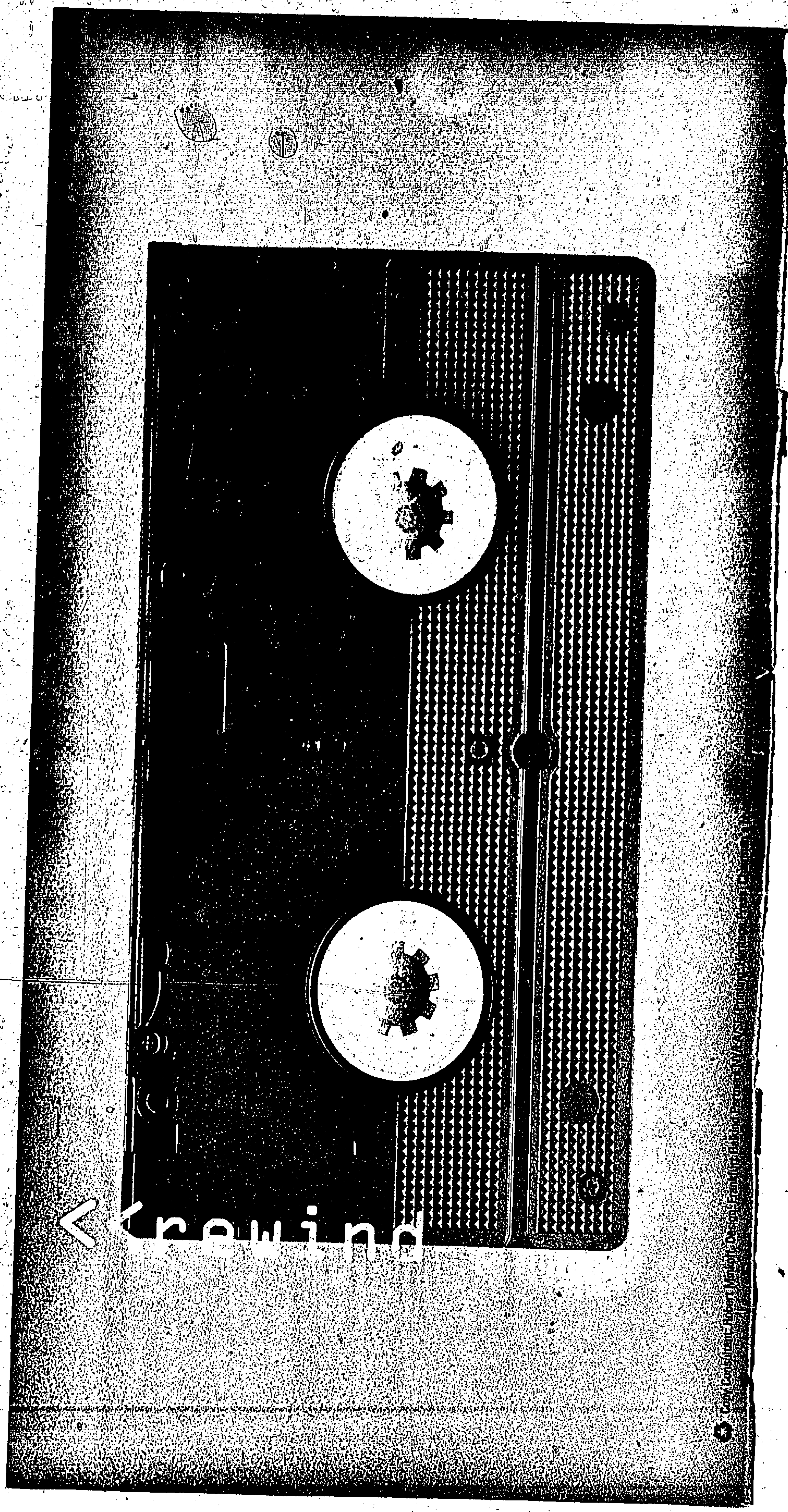
Executive Officers

Leslie H. Wexner	Chairman
Kenneth B. Gilman	Vice Chairman and Chief Financial Officer
Michael A. Weiss	Vice Chairman
Arnold F. Kanarick	Executive Vice President and Director of Human Resources
Bella Wexner	Secretary
Wade H. Buff	Vice President, Internal Audit
Alfred S. Dietzel	Vice President, Financial and Public Relations
Barry Erdos	Vice President and Corporate Controller
Samuel P. Fried	Vice President and General Counsel
William K. Gerber	Vice President, Finance
Patrick Hectorne	Treasurer

Jack Listanowsky	Vice President and Chief Sourcing and Production Officer
Timothy B. Lyons	Vice President, Taxes
Edward G. Razek	Vice President and Director of Marketing
Bruce A. Soll	Vice President

Corporate Information

Corporate Offices	Three Limited Parkway PO Box 16000 Columbus, Ohio 43216 614-479-7000
Annual Meeting	The Annual Meeting of Shareholders is scheduled for 9:00 AM Monday, May 15, 1995 at Victoria's Secret Catalogue 3425 Stelzer Road Columbus, Ohio 43219
Stock Exchange Listings	New York Stock Exchange (Trading Symbol "LTD") London Stock Exchange
Independent Public Accountants	Coopers & Lybrand L.L.P. Columbus, Ohio
Overseas Offices	London, England; Paris, France; Kowloon, Hong Kong; Tel Aviv, Israel; Florence, Italy; Milan, Italy; Seoul, Korea; Taipei, Taiwan
10-K Report	A copy of Form 10-K is available without charge upon written request to Alfred S. Dietzel, Vice President The Limited, Inc. PO Box 16000 Columbus, Ohio 43216
Stock Transfer Agent, Registrar and Dividend Agent	First Chicago Trust Company of New York PO Box 2500 Jersey City, New Jersey 07303-2500 800-446-2617
The Limited, Inc.	Date Founded: 1963 Number of Associates: 105,600 Approximate Shareholder Base: 140,000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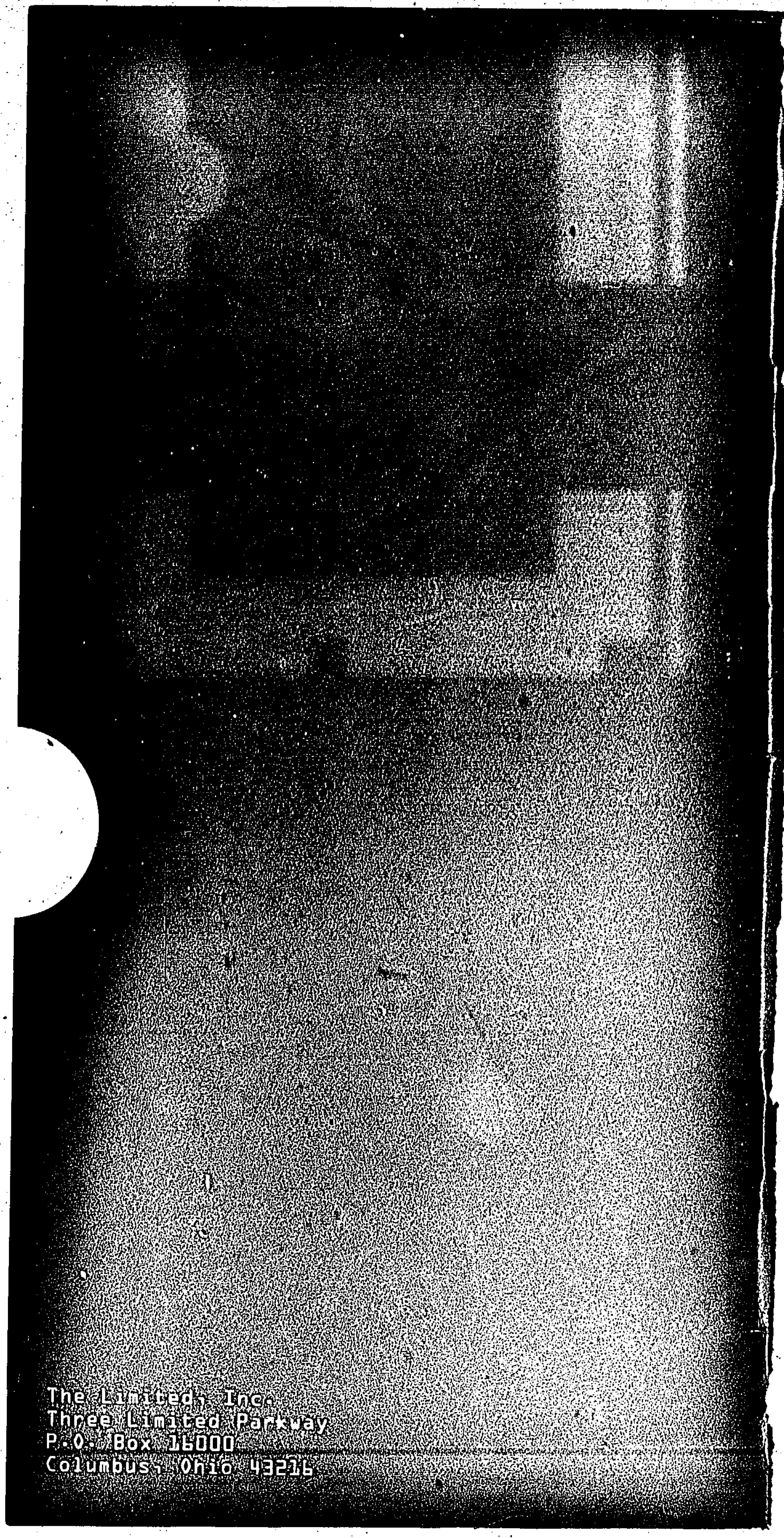
The Limited, Inc.
Three Limited Parkway
P.O. Box 16000
Columbus, Ohio 43216

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